Accountancy

ESTABLISHED 1889

Business without Receipts

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Time Book-keeping on the Farm

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Professional Education

THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

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The Institute of Chartered Accountants
in England and Wales

Incorporated by Royal Charter May 11, 1880

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Professional Notes

The National Accounts—

THIS ISSUE of ACCOUNTANCY goes to press before Budget day but appears a day or two after the Chancellor's secrets have become public property. In these circumstances of the calendar and in this particularly uncertain year we have no intention of indulging in the hazardous game of guessing what is in Mr. Heathcoat Amory's mind. Sufficient to say that if the out-turn of the Exchequer finances for 1957/58 were to be taken as any guide, he would not be much disposed towards liberality to the taxpayers, but as Budget-making these days is an affair of restraining or stimulating the economy at large rather than one of simply ensuring that the Exchequer accounts are in a healthy state, the Chancellor's assessment of the economic conjuncture and the steps needed to deal with it are more relevant to the Budget than the national finances themselves.

For as far as it goes, however, it may be noted that while ordinary revenue came in last year with more buoyancy than had been expected, ordinary expenditure also went over the estimates, with the result that the revenue surplus was £423 million, compared with the estimated surplus of £462 million in the Budget of last year and with the surplus of £290 million in the financial year 1956/57. Taking account of revenue and expenditure below the line (that is, of a "capital" nature) there was an overall deficit of £212 million, against the estimated deficit of £126 million and the deficit of £331 million in 1956/57.

The official reading of the near future of the economy, the more important determinant of what goes into the Chancellor's red despatch case to come out on the

INCOME
(£ *million*)

	1956	1957
Income of employees and the Forces ..	12,189	12,920
Professional earnings* ..	254	261
Profits of sole traders and partnerships and farmers' incomes* ..	1,462	1,521
Profits of companies* ..	3,035	3,193
Miscellaneous†	1,329	1,393
Less Stock appreciation	*150*	*100*
Gross national income (at factor cost) ..	18,119	19 188

* Gross of depreciation allowances.
† Profits of public bodies and undertakings, rent, net income from abroad and residual error.

EXPENDITURE
(£ *million*)

	1956	1957	1956	1957
Personal consumption ..			13,433	14,045
Current expenditure of public authorities on goods and services ..			3,476	3,558
Capital formation:				
Fixed assets	2,488	2,766		
Dwellings	627	622		
Stocks	250	425		
			3,365	3,813
Plus exports and income received from abroad not offset by imports and income paid abroad			304	314
Gross national expenditure (at market prices)			20,578	21,730
Less indirect taxes (net of subsidies) ..			2,459	2,542
Gross national expenditure or product (at factor cost)			18,119	19,188

Sources: *Preliminary Estimates of National Income and Expenditure, 1952 to 1957* (Command 398)

CHANGES IN EXPENDITURE AND SUPPLIES BETWEEN 1955 AND 1957
£ million at 1956 factor cost

	Changes between			Changes between	
	1955 and 1956	1956 and 1957		1955 and 1956	1956 and 1957
Expenditure			*Supplies*		
Consumers' expenditure	+ 50	+ 225	Gross domestic product	+ 260	+ 300
Current expenditure of public authorities on goods and services	+ 25	—115	Net imports of goods and services	+ 120	+ 135
Gross fixed investment ..	+ 120	+ 150			
Investment in stocks and work-in-progress ..	— 80	+ 165			
Exports of goods and services	+ 265	+ 10			
Total change in expenditure	+ 380	+ 435	Total change in supplies	+ 380	+ 435

Source: *Economic Survey, 1958* (Command 394)

afternoon of April 15, is given laconically but with some humming and hawing in the *Economic Survey, 1958*. As usual, the White Paper belies its title by surveying the previous year in copious detail, but confining itself to a few passages on prospects. Of these comments the brightest are that this year there is a good chance of stopping the rise in prices that has troubled the country for twenty years and that there should be a large current surplus on the balance of payments; the most ominous is shadowed with the dangers of a depression exported by the United States; and the most elliptical foresees a continued easement in the pressure of demand upon productive capacity, without acknowledging, far less regretting, the concomitant loss of output from unemployment of our capital equipment.

As to the recent history, the gross national income rose by rather more than £1,000 million last year, but there is little enough cause for national self-congratulation in that. For eliminating the price rise, production in our own economy (the "gross national product") was up by only £300 million on the previous year, or about 1.7 per cent. Consumers' expenditure took a major part of the moderate growth in goods and services made available by the small expansion in the domestic product and by the net increase in imports. Of the remainder of the additional supplies available, fixed investment absorbed a goodly proportion—but a satisfactory part of a slender increment gives an unsatisfactory figure in absolute terms. And even so, the raising of the level of investment in fixed assets, in relation to that of 1956, was predominantly outside manufacturing industry, in which the level was lifted by only 3 per cent. in 1957.

Despite greater consumption, personal saving was large, and so was saving by companies. Between them, persons (including firms) and companies financed, as in previous years, most of the investment of nationalised industries and local authorities, by way of a transfer of surplus savings through the financial machine.

—And the International Accounts

THAT THE United Kingdom should last year have had a favourable balance of £237 million on current account with the outside world, at first blush seems inconsistent with the harsh facts of the sterling crisis of the autumn. But what this quite large credit on current account really emphasises is that the crisis was entirely one of a flight of capital, dissociated from trading trends. "Flight of capital" means not merely the speculative onslaught, but also the persistent running down of London balances by countries of the sterling area in the second half of last year.

Another apparent inconsistency—rather more difficult to explain—is shown up in the "investment and financing account." Of the surplus of £237 million on current account in 1957, we invested abroad at long term a net total of £189 million, leaving a positive balance of £48 million for other financing operations—mainly net short-term lending

abroad, including any net running down of sterling balances—and not only did we have this positive balance available for such operations, but even after performing them, the residual change in the gold and dollar reserves was a gain of £50 million. The figures for the second half of the year alone are even more paradoxical—the surplus on current account was £122 million and the long-term lending was £21 million, leaving a positive balance of £101 million for other financing operations, and after these operations were carried through, there was a loss of only £38 million in the reserves. In the half year of the worst crisis in sterling since 1949, the devaluation year!

A main reason why in the year as a whole and in the second half year we had these favourable balances available for short-term lending and similar operations is that the net total of long-term lending was somewhat adventitiously reduced by two items. The first item was our borrowing of £89 million in dollars from the Export-Import Bank; the second, our postponing the capital repayment of £26 million on the American and Canadian loans. The enlarged balance for short-term operations was further swollen by the depositing by Germany of £68 million in the second half-year against future repayments of her debt to us, and the postponement of interest payments of £37 million on the North American loans. In consequence largely of the four items — representing special borrowing and capital assistance of £220 million—the flight from the pound and a large running down of sterling balances took place without the gold and dollar reserves showing more than minor damage at the end of the year.

The fair showing of the current account is ascribable mainly to an improvement of 3 per cent. in the terms of trade. In volume, exports were only 2 per cent. more than in 1956 but imports were 3½ per cent. more. Invisibles produced a slightly larger surplus than in 1956, largely because earnings from shipping and oil improved and Government expenditure overseas declined.

	£ million	
Debits:	1956	1957
Visible imports	3,475	3,605
Invisible imports ..	1,066	1,104
	4,541	4,709
Credits:		
Visible exports ..	3,414	3,508
Invisible exports ..	1,393	1,438
	4,807	4,946
Current account balance	+266	+237

Source: *United Kingdom Balance of Payments, 1955 to 1957* (Command 399).

Board's Obligation to Buy Shareholding

RECENT LITIGATION HAS provided instances of the inability of Boards of directors to acquire the shares of members who have been tempted to dispose of them elsewhere. The converse situation existed in the case of *Rayfield* v. *Hands* in the Chancery Division. A member (who was a former director) sought to make the directors take his shares in accordance with one of the Articles of Association of the company, but the directors were unwilling to acquire the shares. The Article ran: "Every member who intends to transfer shares shall inform the directors who will take the said shares equally between them at a fair value." It was said that the exact effect of a provision of this kind, a familiar provision, had been canvassed for sixty years.

There was some discussion of the respective meanings of "will" and "shall" in which Counsel for the defendants (the directors) argued that the word "will" should have the meaning given to it in the marriage service, in which the phrase "I will" meant "I am willing"—a schoolboy confusion by Counsel of the first and third persons. (We remember our English master many years ago: "Now, Smith Minor, distinguish between 'I shall drown' and 'I will drown,' and between 'He will do as I say' and 'He shall do as I say.' ")

The defendants contended that the Article imposed no enforceable liability on them and that the words "the directors will take the shares" imported the idea of an option merely, or choice or volition on the part of the directors. Vaisey, J., could not accept this argument. He thought that the word "shall" in the context clearly imported compulsion and obligation, and that the word "will" indicated a resultant prospective eventuality in which the member had to sell his shares and the directors had to buy them, each being under an obligation to bring that eventuality into effect. The defendant directors were bound to purchase the plaintiff's holding at a fair value.

His Lordship was told by Counsel that the articles in question were not drafted by lawyers but by accountants. That fact does not lessen the chances of the decision being upheld in the not unlikely event of an appeal.

Summer Course—Christ Church and Merton College, Oxford

MEMBERS OF THE Institute are reminded that April 30 is the closing date for applications to attend the summer course to be held at Christ Church and Merton College, Oxford, next September.

As we announced in our January issue (page 39) the course commences on the afternoon of Thursday, September 4, and disperses on Tuesday, September 9. The titles and authors of the addresses to be given at the course are:

Shortcomings of the Companies Act, 1948, by Mr. C. Romer-Lee, M.A., F.C.A.

Work Study and Accountancy—the Investigation, Planning and Control of Industrial Processes and Business Operations, by Mr. C. T. Gould, M.I.E.E., A.M.I.P.E., F.I.I.TECH.

Some Taxation Problems of Particular Interest in the Smaller Practice, by Mr. B. R. Pollott, M.A., F.C.A.

As in previous years, group discussions and free exchange of views and experience will form an essential feature of the course and the programme will provide for recreation and social activities.

Application forms have been sent to all members, including all those newly admitted under the scheme of integration.

Mr. G. T. E. Chamberlain

New Member of the Institute Council

WE OFFER OUR congratulations to Mr. G. T. E. Chamberlain, F.C.A., on his election as a member of the Council of the Institute of Chartered Accountants in England and Wales. Mr. Chamberlain is a partner in Baker Bros., Halford and Co., Chartered Accountants, Leicester. He served his articles with the late Mr. J. H. Baker, F.C.A., was admitted to membership of the Institute in 1926, and became a partner in the firm in 1931.

Mr. Chamberlain served on the committee of the Leicestershire and Northamptonshire Society of Chartered Accountants from 1935 to 1950, and held the office of President in 1948/49. He was President of the Leicestershire and Northamptonshire Students' Society from 1952 to 1955, and since then has been Vice-President.

Misunderstandings about Dividends

SCRIP ISSUES, TO narrow any material gap between the equity capital of a company and its employed assets, are to be welcomed. Thus spoke Mr. James T. Dowling, C.A., in his presidential address at the annual general meeting of the Institute of Chartered Accountants of Scotland held recently.

Frequently the gap was composed, said Mr. Dowling, of reserves representing the retained profits of past years and invested in fixed assets or stocks. Dividends were being paid which represented a high percentage on the equity but were only a fraction of the total funds employed in the business and provided by the equity shareholders by way of subscribed capital and reinvested profits. There was in consequence much misunderstanding about the level of the dividends. It might be that legislation to allow no-par-value shares, which would mean that dividends could be expressed as amounts per share (instead of percentages of the nominal equity), would lessen the risk of misunderstanding, but companies ought not to await legislation: it was not known when it would come, if ever.

Mr. Dowling thought the relationship between profits earned or dividends paid and the capital employed was also open to misunderstanding: the figures for fixed assets in the balance sheet might be based either on original cost or on a revaluation at higher levels. He then went on to make a suggestion on which there could be held a lively debate among accountants. "It may be," he said, "that rapidly rising prices have not lent encouragement to the expenditure of time and money on re-appraisal which might be seriously out of line within a few years. But . . . is it reasonable to suggest that, in accounts generally, periodical revaluation of fixed assets—say every five years—might replace historic cost?"

Tax Reform from the Left of the Right

THE *Bow Group* consists of a number of young intellectuals on the left wing of the Conservative Party. In the seven years of its life, it has had some influence on the Party as a "ginger group" with ideas and vigour (none of its members is more than thirty-six years old).

In the latest publication of the group, *Taxes for Today*, the objective is to shock the Government out of what is regarded as its singular shyness of using the tax weapon to further Tory aims.

These literary commandos—economists, lawyers and accountants engaged as volunteers on a strenuous assault course—would radically refashion tax policy to favour consumers, especially small ones, to strengthen the free economy and to help free the flow of capital. They would scrap the purchase tax and put in its place a general sales tax; would help individuals who are in the surtax brackets by reason of greater responsibilities or who have investment income; would spread the ownership of property, largely by reintroducing the legacy and succession duties in partial replacement of estate duty; would merge profits tax and income tax on companies in a single corporation tax; would make the capital allowances more liberal. Practically the only recommendation carrying a negative is that a tax on capital gains should not be brought in.

All the recommendations are argued at length, eloquently and elegantly.

Taxes for Today is published by the Conservative Political Centre, 2–8 Victoria Street, London, S.W.1, at 2s. 6d. net.

Autumn Meeting of the Institute

AN AUTUMN MEETING of the Institute of Chartered Accountants in England and Wales will be held in London from October 2 to 4, 1958, at the invitation of the London and District Society of Chartered Accountants.

There will be two business sessions, at which three papers will be read on professional topics, and social functions for members and ladies. The full programme and other particulars are given on pages 211-212.

Members of the Institute are invited to apply and the Council hopes that there will be a widely representative attendance. The total of members and ladies will have to be restricted to 1,650, however, and a ballot will be held if applications are in excess of that number.

The last Autumn Meeting was held in 1955 at Southport and there has been no such meeting in London since 1921.

Sir Arthur Cutforth

WE REPORT WITH much regret the death of Sir Arthur Cutforth, C.B.E., at the age of seventy-six.

Arthur Edwin Cutforth was President of the Institute of Chartered Accountants in England and Wales from 1934 to 1936, and served on the Council of the Institute from 1923 to 1940. He qualified in 1905, after serving articles with the late Mr. William Cash, F.C.A. He became a partner in Deloitte, Plender, Griffiths and Co., in 1912 and soon took a leading part in the profession and in the activities of the Institute. Among the many public offices he held was that of Accountant Assessor to the Royal Commission on the Coal Industry in 1925, membership of the Food Council from 1932 to 1938 and the Chairmanship of the Reorganisation Commission for Milk in 1935. He was High Sheriff of Hertfordshire in 1937/38. He received the C.B.E. in 1926 and was knighted in 1938, the year of his retirement.

Sir Arthur wrote widely on accounting topics; probably his best known book is *Public Companies and the Investor*, published in 1930.

Hire Purchase Accounting

AMONG THE MOST inflated shares on the stock exchanges three years or so ago were those of *Canadian and English Stores* introduced to the public only a short while previously. The shares crashed when glowing reports of extending and profitable trade in hire purchase gave way, first to suggestions that all was not well with the company and then to confirmation that it was making large losses. After a very stormy meeting of the company a committee of the shareholders was appointed, with a chartered accountant as its chairman, to investigate.

The report of the committee is long and involved. It makes numerous charges against the directors (as the Board was constituted until recently). It seeks to show that the accounting overstated the profits of several years before 1957 while understating those of that year and leaving a short debit to profit and loss account over the period as a whole. It argues that the former Board was wrong in ascribing the adverse trading almost wholly to the official restrictions on hire purchase. It imputes misleading statements in the various offers made to the public to take up shares. It alleges that there was mismanagement of the company, particularly by way of failure to have adequate statistical returns and interim accounts. All these and other attacks could be sub-divided into about a score of heads, but the gravamen of the charges refers to the accounting for bad and doubtful debts and for unrealised profit on hire purchases. Here, too, are the chief points to interest us.

Since 1954, at the auditors' suggestion, debts on hire purchase were analysed thus:

Code	*Description*	*Definition*	*Provision %*
0	Bad	No payments during last 3 months	
1	Doubtful	1 to 3 payments in last 6 months	75
2	Doubtful	4 to 6 payments in last 6 months	50
3	Doubtful	7 to 9 payments in last 6 months	20
4	Doubtful	10 to 12 payments in last 6 months	5
5	Good	All other debts	

But not until 1957 were the provisions made according to the coding. In 1953, the basis adopted was 4 per cent. of debtors, in 1954 and 1955 it was 4 per cent. of debtors *plus* £25,000, in 1956 it was 8 per cent. of debtors. For those four years, the percentage of debtors to be provided if the coding had been followed would have been 11, 12, 11½ and 29. The committee considered, moreover, that the coding itself was not stringent enough. Six months, it averred, should be allowed after a credit is time-expired and then it should be treated as bad; the provisions in codes 3 and 4 should be at least 25 per cent.; since the code takes as good debtors who have missed up to 13 weekly payments out of 26, at least 5 per cent., and probably as much as 10 per cent., ought to be provided against all the good debts.

Short-term credit sales became large from 1955 on. For the year ended January, 1956, the provision for bad and doubtful debts on furniture was on the same basis as in the hire purchase section, and on drapery was a lump sum calculated in rough-and-ready fashion. In 1957, the basis used was, in the words of the committee, "that accepted by the Inland Revenue for the credit drapery trade," as follows:

(1) All debts are treated as good, irrespective of arrears, if the sale was made within 13 weeks preceding the accounting date or if the cash received during the preceding 52 weeks was at least equal to the amount outstanding at the accounting date.
(2) Where the balance of the debt at the end of the accounting period exceeds the cash received during the preceding 52 weeks, the excess is written off as doubtful.
(3) If no cash has been received during the last 13 weeks, the debt is treated as wholly bad.

By using this scale no less than 33½ per cent. of all debts on credit sales had been provided at January, 1957. But the committee considered that "any system is defective if it does not provide an overall figure for the arrears and relate it to the business done or the balances outstanding"; the arrears were very serious, but without further details the committee could not suggest a specific amendment to the provision.

The unrealised profit on outstanding instalments on hire purchases, carried forward at the end of the financial year to be brought into credit when the instalments were paid, had been taken by the company at three-quarters of the average rate of gross profit earned in the preceding six years. The committee commented:

> The reason for not using the full gross profit percentage was stated to be that the whole of the initial selling expenses in connection with the agreements was thus charged against the profits of the year in which the agreement was entered into. This theory ignores the fact that collecting expenses may well equal or exceed the initial selling expenses, and therefore, although opinions and practice may reasonably differ on this point, we take the view that the full gross profit rate should be carried forward.

The former Board issued a reply to the committee in a much shorter and not greatly convincing document. It argued that the provisions

for bad and doubtful debts had been considered, by Board and auditors, to be adequate ("there is no universally accepted method of arriving at the figures"); that to treat all time-expired debts on hire purchase as bad had never been the practice in the trade; that to take collecting expenses as at least equal to selling expenses, in computing the unrealised profit on hire purchase business, is erroneous, since instalments are paid at the shop and costs of collection are limited to book-keeping, reminder letters and overheads.

The Board has now been reconstituted and its new chairman is the chairman of the shareholders' committee.

The Chartered Accountants' Benevolent Association

THE CHARTERED ACCOUNTANTS' Benevolent Association is devoted mainly to the relief of necessitous persons who are or have been members of the Institute, of their necessitous wives and children and of the necessitous widows and children of deceased members.

The rules of the benevolent fund of the Society of Incorporated Accountants are such that it has not been practicable so far to attempt to merge the fund with that of the Institute. Both funds are therefore operating at present as separate entities while the position is being further explored. Meanwhile former members of the Society who subscribe under deed of covenant to the Incorporated Accountants' Benevolent Fund should continue their subscriptions to that fund; others are asked to subscribe to the Association.

Full details of the work of the Association will be sent to all members of the Institute on April 22, with the annual report for 1957/58. Any enquiries should be sent to the Honorary Secretary, The Chartered Accountants' Benevolent Association, Moorgate Place, London, E.C.2.

The In-Tray Ploy

WE CULL THIS delicious morsel from a new book packed full of such sweet-and-sour delicacies — *Parkinson's Law, or the Pursuit of Progress*, by C. Northcote Parkinson, published this month by John Murray at 12s. 6d. net (a review will appear in our next issue):

> As is well known, the . . . technique [of "tax evasion"] depends on discovering the standard delay (or S.D., as we call it among ourselves) in the department with which we have to deal. That is, of course, the normal lapse of time between the receipt of a letter and its being dealt with. It is, to be more exact, the time it takes for a file to rise from the bottom of the in-tray to the top of the pile. Supposing this to be twenty-seven days, the . . . tax evader begins his campaign by writing to ask why he has received no notice of assessment. It does not matter, actually, what he says in the letter. All he wants is to ensure that his file, with its new enclosure, will be at the bottom of the heap. *Twenty-five days later* he will write again, asking why his first letter has not been answered. This sends his file back to the bottom again just when it was almost reaching the top. Twenty-five days later he writes again . . . So his file is never dealt with at all and never in fact comes into view. This being the method known to us all, and known to be successful . . .

Stress Clauses in Local Loans

DURING THE PHASE of very high interest rates some investors in local authority mortgages have taken advantage of the "stress clause" in the mortgage deeds. In its usual form the clause provides that the local authority must repay if there is "exceptional financial stress" upon the lender, and as he is the sole judge of whether this state of things prevails, the authority may be in a somewhat vulnerable position.

The stress clause is usually insisted on by trustee savings banks and building societies, whose aim is to safeguard the funds of their depositors by enabling loans to the local authorities to be liquidated quickly if necessary. The Institute of Municipal Treasurers and Accountants has recently obtained from the Building Societies Association an affirmation that it is anxious to preserve the existing mutual confidence and goodwill, and the Association has appealed to its members not to invoke a stress clause unless the circumstances are within the spirit as well as the letter of the clause.

Until recently the stress clause had rarely operated, and during negotiation of a loan to a local authority the assurance was often given that the lender had never in the past called in his money under such a clause. In consequence, local authorities often offered a rate of interest based on the full period of the loan. Since some of them have now had experience of the invoking of the clause, however, the authorities are likely to be less disposed both to pay something very like the long-term rate to a lender and to allow him the stress clause in the mortgage deed. Any reproduction of the relationship that has subsisted for some time in the recent past—whereby short-term rates have exceeded long-term rates—might mean that the money was called in by the lender though he had been receiving the benefit of what was virtually a long-term rate of interest. At the same time it is unlikely that the trustee savings banks and building societies will agree to forego the insertion of the clause in the deeds.

Put This on Your Agenda!

THERE REALLY IS trouble at t' mill (at the Westminster Theatre, London), though only the Board's-eye view of it is presented. A takeover bid for a respected Yorkshire public company leads to protracted meetings of the directors, each of whom reacts in his own way and takes action according to his allotted principles. The chairman acts commendably in the best interests of the shareholders, the managing director struggles to preserve the business his father built, and the salesman is dominated by his entertainment allowance. Between flashes of inspiration devoted to producing brilliant samples and less brilliant non-aggressive versions of nursery rhymes, the commonsensical designer knocks heads together, while the politician's non-executive position on the Board is shown to be dependent upon his continued retention of the magic letters "M.P."

But it is a comparative youngster, the chief accountant and secretary—

who must have won first prize in his Finals—who is really the brains of the Board. He holds the balance of power by his ability to advise on financial juggling. His opposite number on the enemy's Board is not nearly such a heavyweight. Assistance is provided on request by the presence of a decorative dactylographer. With a cash reserve of £215,000, a large stock of yarn bought at the lowest market price and a restrictive dividend policy, the takeover bid is inevitable, but inevitability is helped along by treachery from inside.

The play, which opened this month, is *Any Other Business*, written by George Ross and Campbell Singer. High finance is apt to be nerve-racking for those involved, but to turn it into a thriller means simplifying the technicalities, and the takeover itself is here made a pretty easy exercise. The complications, providing the stuff of the mystery, are in identifying the traitor, and the authors deftly move the spotlight of suspicion.

Any Other Business demands a place at the end of the agenda of any accountant's day.

Shorter Notes

Annual Meeting of the Institute
The annual meeting of the Institute of Chartered Accountants in England and Wales will be held at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, on Wednesday, May 7, 1958, at 2.0 p.m.

Honorary Degree for Mr. W. L. Barrows
At a degree Congregation at Birmingham University on July 5 the honorary degree of Doctor of Laws is to be conferred on Mr. W. L. Barrows, Vice-President of the Institute of Chartered Accountants in England and Wales. Mr. Barrows is a life governor of the University.

New President of Scottish Institute
Mr. Robert Ian Marshall, B.COM., C.A., has been elected President of the Institute of Chartered Accountants of Scotland for the year 1958/59. After qualifying in 1924, Mr. Marshall served with Deloitte, Plender, Griffiths and Co. in London. In 1927 he went into practice in Edinburgh and later became the senior partner in Graham, Smart and Annan. The new Vice-President is Mr. Thomas Lister, M.A., C.A., a partner in Thomson McLintock and Co.

Bank Accounts for Clients' Moneys
We draw attention to a statement issued this month by the Council of the Institute of Chartered Accountants in England and Wales on the procedure to be followed by practising members in dealing with clients' moneys. The statement is published on page 207.

Eighth International Congress of Accountants, 1962
The next International Congress of Accountants, the eighth in the series, will be held in the United States in October, 1962.

Retirement of I.C.W.A. Director
Mr. Stanley J. D. Berger, M.C., F.C.I.S., is retiring towards the end of this year as director and secretary of the Institute of Cost and Works Accountants. Mr. Berger was appointed secretary in 1925 and in 1939 he was made director. In the thirty-three years of Mr. Berger's service the membership has grown from less than 500 to nearly 6,000 and the registered students from a few hundreds to 15,000.

Inquiry into Law of Contracts
At the invitation of the Lord Chancellor the Law Reform Committee is to consider whether any alterations are desirable in the law as to the formalities required for contracts made by bodies not being companies within the meaning of the Companies Act, 1948, or for notices or other documents required to be given or executed by such bodies.

Trial of Restrictive Practices
All trade agreements requiring registration under the Restrictive Trade Practices Act should have been lodged with the Registrar by the end of last month. The Restrictive Practices Court is expected to sit in judgment on the first cases in the autumn of this year. A number of "statements of case" have been filed by respondents and the Registrar has delivered his "answer" to a number of them. In some instances the respondents are then required to deliver a reply to the Registrar's answer, and then the issues for the decision of the Court can be defined and application can be made to the Court for the fixing of a date for the hearing. The preparation of cases is a lengthy process, so that new cases have to be started frequently to avoid long intervals between the Court hearings. One of the complications is that if the parties to an agreement referred to the Court are at all numerous, a "representation order" specifying by whom the parties are to be represented in the proceedings has to be obtained—generally the representative is a trade association.

Healthy Accountants
Accounting is a healthy calling. In 1949–53, men aged 20–64 in the professions generally experienced a death rate 98 per cent. of that of the men of those ages in all occupations. Within the professional class, the index for accountants was 77 per cent. (all occupations = 100). It was bettered, among the largest groups in the class, only by teachers (66 per cent.), senior civil servants and local government officers (70 per cent.) and engineers and surveyors (73 per cent.). Barristers and solicitors suffered a rate of 88 per cent. and dentists one of 97 per cent.

Accounting Conference at Brussels
Three "accounting days" are being held at Brussels on May 17 to 20 in connection with the international exhibition. The organisers are the *Union Nationale des Professionnels de la Comptabilité* and the patrons the *Collège National des Experts Comptables de Belgique*. The themes are "The Role of the Accountant in the Economy" and "Accounting in the Service of Productivity."

From Bedford Square to Golden Horn by Car
That authors in the accountancy world do not limit their writing to accounting subjects is well illustrated by the book which Robert Bell of the staff of the Association of Certified and Corporate Accountants has just published on his visits to Turkey by road. He shows that this feat can be accomplished by anyone who follows his example and the remarkably detailed directions in his book *By Road to Turkey* (Alvin Redman, 15s. net).

Depreciation on Current Costs
According to a sample survey made by the American Institute of Certified Public Accountants, most American businessmen think that shareholders should be told what depreciation would amount to if it were calculated on current costs. The information should be given, they think, in footnotes or in supplementary statements.

EDITORIAL

Business Without Receipts

MANY of the noble lords who spoke in the Upper House on March 18 about the Cheques Act and receipts were somewhat confused on the subject. But if one function of the House of Lords is to reflect the general state of opinion in the country, their lordships were acting their part to perfection, for confusion abounds in business and among the citizens.

Lord Hailsham, as the Government spokesman, was undoubtedly right to put people on warning that the various devices now being used for sending acknowledgments for sums of £2 or upwards, not accompanied by a twopenny stamp, are illegal. These devices include marking the statement or bill or similar piece of paper with the words "cheque received," "paid," "returned by the remittance office" or some other circumlocution. As Lord Hailsham indicated, there is no device whereby one can escape from the very comprehensive definition in Section 101 (1) of the Stamp Act, 1891:

> the expression "receipt" includes any note, memorandum, or writing whereby any money amounting to two pounds or upwards . . . is acknowledged or expressed to have been received or deposited or paid . . .

Again, Lord Hailsham usefully and succinctly summed up the law on the obligation to give a receipt:

> There is no general liability to give a receipt unless one is asked for. If a receipt is in fact given, and is for £2 or more, it attracts twopence stamp duty. If a sum of money of £2 or more is paid and a receipt is asked for, it must be given.

But then Lord Hailsham, from giving impeccable advice on the law, turned to ring his hand-bell, and rang it against a carillon. "I would urge traders," he rang, "to go back to the sensible practice which existed before the Cheques Act"—that is, to give receipts in all circumstances, whether asked for or not. But since the passing of the Cheques Act, and amid all the confusion of which we have spoken, the business community has awakened, belatedly but beyond danger of dropping off again, to the fact that big savings of labour, time and money can be had by dispensing with receipts. Here is a peal against which the thin high pitch of the hand-bell cannot be heard.

It was Section 3 of the Cheques Act of last year, making an unendorsed paid cheque unimpeachable evidence of payment when previously a paid cheque amounted to such evidence only if endorsed (see ACCOUNTANCY for November, 1957, pages 456–7) that triggered-off the move to dispense with receipts. But most cheques before mid-October last were endorsed, and the advantages of dispensing with receipts existed then almost as forcibly as they exist today. A few businesses understood that the advantages were there for the taking, and started economising on receipts long before the Cheques Act—but they were only a few. Now that they have been followed by the many, it is hardly possible, even if it were desirable, to go back to the pre-Cheques Act days. There is certainly a sense in which Lord Hailsham is correct when he declaims that "the Cheques Act has made no difference" in the matter of the giving of receipts, but there is another and more important sense in which he is wrong—the Act has completely changed the attitude of the business world at large on the issue.

As the Institute of Chartered Accountants in England and Wales said in its statement of last October, if precautions (stipulated in the statement) are taken in drawing the cheque, there is normally no need to obtain a receipt for a payment made by it even though it is unendorsed, and "the result should be a very large reduction in the number of receipts issued by business houses and private individuals and consequently great savings in clerical and other costs." The statement went on to affirm:

> There will be circumstances in which those making payments require a written acknowledgment from the payee linking the payment with the transaction to which it relates. In such cases it will be necessary either to obtain a separate receipt giving the necessary particulars or to continue to use an "R" cheque on which wording is inserted by the drawer of the cheque identifying the payment with a specific transaction.

Accountants and auditors are now tackling the problems of accounting and auditing that undoubtedly pose themselves in many businesses when, unless they are asked for, receipts are no longer issued for payments received in the form of cheques. In the great majority of instances, we believe, the difficulties are being solved, or will be solved before very long. The non-existence of a receipt is really only a part of a bigger problem—to link the cheque with the transaction. There are normally several forms that the link can take, and auditorial ingenuity will not generally be so strained that a receipt will be indispensable for the audit. For a while yet the confusion in the business world over the whole question of receipts will continue to send a backwash into the audit room. Even when things have settled down, numerous businessmen and others will, quite warrantably, continue to use or to require receipts as extensively as before the Cheques Act; nevertheless it is reasonable to expect that commercial practice will in future be predominantly receiptless, and the more streamlined and economical for being so.

Some recent law cases, of particular importance to accountants, demonstrate that nothing can be more misleading than apparently plain words in an Act of Parliament. In reviewing several of these cases, this article considers some of the principles applied by the courts in interpreting statutes, and discusses the function of law in society.

Mr. Bumble and the Law in 1958

by C. A. Whittington-Smith, LL.M., F.C.A.

"*If the law supposes that,*" *said Mr. Bumble,* "*the law is a ass, a idiot.*" (*Oliver Twist,* chapter li).

MOST ACCOUNTANTS, if asked about the rules of intestate succession, would probably say without hesitation that when ultimate residue of an intestate's estate is held in trust for issue, or for brothers and sisters, or uncles and aunts, and any member of such a class has predeceased the intestate, issue of that deceased member are entitled to the share such member would have taken if he or she had not predeceased the intestate, devolution being *per stirpes*.

In view of Mr. Justice Harman's recent decision in *re Lockwood, deceased* ([1957] 3 W.L.R. 837) to drive a coach and horses through Section 47 (5) of the Administration of Estates Act, 1925, as amended by the Intestates' Estates Act, 1952, that explanation is no doubt correct, though what the sub-Section in question does in fact say is that:

> where the trusts in favour of any class of relatives of the intestate, other than issue of the intestate, fail by reason of no member of that class attaining an absolutely vested interest, the residuary estate . . . shall . . . be held . . . as if the intestate had died without leaving any member of that class, or issue of any member of that class, living at the death of the intestate.

In other words, if no member of a particular class of relative acquires a vested interest, no child or other descendant of any member of that class shall succeed to the share to which he would otherwise have been entitled! If, then, no brother or sister survived the intestate, nephews and nieces would be cut out in favour even of such remoter issue as second cousins. And they in turn would be cut out unless they could take through an uncle or aunt who had survived the intestate!

Miss Lockwood was an elderly spinster who died intestate in 1954, leaving a residuary estate of some £6,000 and, as nearest of kin, only the descendants of deceased uncles and aunts. As none of these uncles or aunts had survived her the Treasury Solicitor contended that their descendants were cut out in favour of the Crown. To ignore the offending words in the statute would, he argued, result in legislation by construction whereas the real remedy, if there was a blunder, was for Parliament to repair it by statute. The learned Judge, convinced that Parliament, despite what the Act says, could never have intended when laying down rules for ascertaining next of kin to promote those more remote over those nearer in blood, decided to modify the terms of the Act by ignoring the offending words.

Statutory absurdities

There is, of course, no lack of precedent for such a decision. For instance, not so long ago, when the Court of Appeal was considering the claim of Prince Ernest of Hanover ([1955] Ch. 440) Romer, J., observed that:

> . . . the Court had been told by more than one high authority that if the results of an Act were so absurd that they could not have been the intention of Parliament, they had to look for another meaning.

And in *re a Debtor* (No. 335 of 1947) (2 A.E.R., 533) Greene, M.R., said much the same thing:

> It is not always appreciated that a purely literal interpretation of the precise words of some Section or other of an Act of Parliament can on occasion be dangerous and misleading, despite the general rule that nothing must be implied which is inconsistent with the words expressly used.

Further *dicta* to the same effect, cited in *Maxwell on the Interpretation of Statutes*, are to be found in *Francis Jackson (Developments) Ltd.* v. *Hall and another* ([1951] 2 K.B., 488)—a comparatively recent case on landlord and tenant—in which in the course of their judgment Denning and Hodson, L.JJ., and Lloyd-Jacob, J., said that

> If the literal interpretation of a statute leads to a result which Parliament can never have intended, the Courts must reject that interpretation and seek for other interpretation which does give effect to the intention of Parliament.

It seems that even a taxing statute is not exempt despite the oft-quoted dictum of Rowlatt, J., in *Cape Brandy Syndicate* v. *C.I.R.* (1921, 1 K.B., 64) about there being

no room for intendment in a taxing act. For example, in 1955, in *Joshua Hoyle & Sons* v. *Hawkins* (36 T.C. 247), a case which concerned the interpretation of Section 141 (1) of the Income Tax Act, 1952—the point at issue being whether the accounts of a company for a period extending beyond December 31, 1951, could be split for the purpose of deducting profits tax paid up to that date—Harman, J., pointed out in the course of his judgment that

> The statute is to be construed just as any other instrument and in accordance with the rule propounded once and for all in *Grey* v. *Pearson* (1857, 6 H.L. Cas. 61), the strictness of interpretation may be tempered to give effect to the intention, where the Court of construction is satisfied as to what the intention was.

It is particularly interesting, however, to consider the recent decision in *re Lockwood* alongside the decision of the Court of Appeal in November, 1957, to dismiss with costs the appeal from Harman, J., in *re Hodge's Policy* ([1957] 3 W.L.R. 958), a case which has received wide publicity and is generally expected to lead to amending legislation in the next Finance Act.

This is the case in which it was held that estate duty was payable on the proceeds of a life policy for £10,000 on which the last premium was paid as long ago as 1916 and in which the deceased had had no interest since 1913 when, by a voluntary settlement, he assigned it to trustees in favour of the plaintiff. It had belonged absolutely to the plaintiff since 1938, and he had mortgaged it to an insurance company to which £5,431, including interest, was owing when Sir Rowland Hodge died in 1950. The gross amount payable under the policy was then £16,675.

It was held that estate duty was payable on the *gross* proceeds without any deduction for the mortgage—incidentally such proceeds will be aggregable with the deceased's free estate in order to determine the *rate* of duty payable. Harman, J., and all the appeal judges, it will be remembered, expressed their profound sense of shock at the state of the law which made such a result possible and made it clear that their criticisms were against the Legislature and not the Crown, which had no option but to recover the duty if it were in fact payable.

The decision, as in *re Lockwood*, rested upon the interpretation of a statute—this time Section 11 (1) of the Customs and Inland Revenue Act, 1889, which refers to:

> . . . money received under a policy of insurance effected by any person . . . on his life, where the policy is wholly kept up by him for the benefit of a donee, whether nominee or assignee

which is property deemed to pass on the death under Section 2 (1) (c) of the Finance Act, 1894. The real point at issue was the meaning of the words " . . . is wholly kept up." Does the present tense relate to the date of death or is the expression to be translated as meaning "has been" from the date of assignment?

In these two recent cases of *re Lockwood* and *re Hodge's Policy*—both of considerable interest to accountants—we see, not for the first time in recent years, something of the snares and pitfalls involved in interpreting statutes. Even the Companies Act, 1948, is not exempt. The decision of the House of Lords in *Nokes* v. *Doncaster Amalgamated Collieries* ([1940] A.C. 104) and of the Court of Appeal in *re B. Johnson & Co. (Builders) Ltd.* ([1955], 1 Ch. (C.A.) 634), in particular, show how dangerous it can be to rely on what appear to be the plain words of a Section.

In the former case, Section 208 of the Companies Act was in question. This Section empowers the Court, in approving a scheme of reconstruction or amalgamation, to make an order providing that property and liabilities shall be transferred from one company to another and shall vest in that other so as to become its own property or liabilities. The Section provides, *inter alia*, that:

> . . . the expression "property" includes property, rights and powers of every description, and the expression "liabilities" includes duties.

The supremacy of the common law

The unanimous opinion of the Court of first instance and of the Court of Appeal was that by virtue of the plain words of the Section contracts of personal service will automatically pass under such a scheme from one company to the other. By a majority of four to one the House of Lords decided otherwise, on the ground that:

> ingrained in the personal status of a citizen under our laws (is) the right which constitutes the main difference between a servant and a serf, whom he will serve.

Said Lord Atkin:

> the principle that a man is not to be compelled to serve a master against his will is . . . deep-seated in the common law of this country.

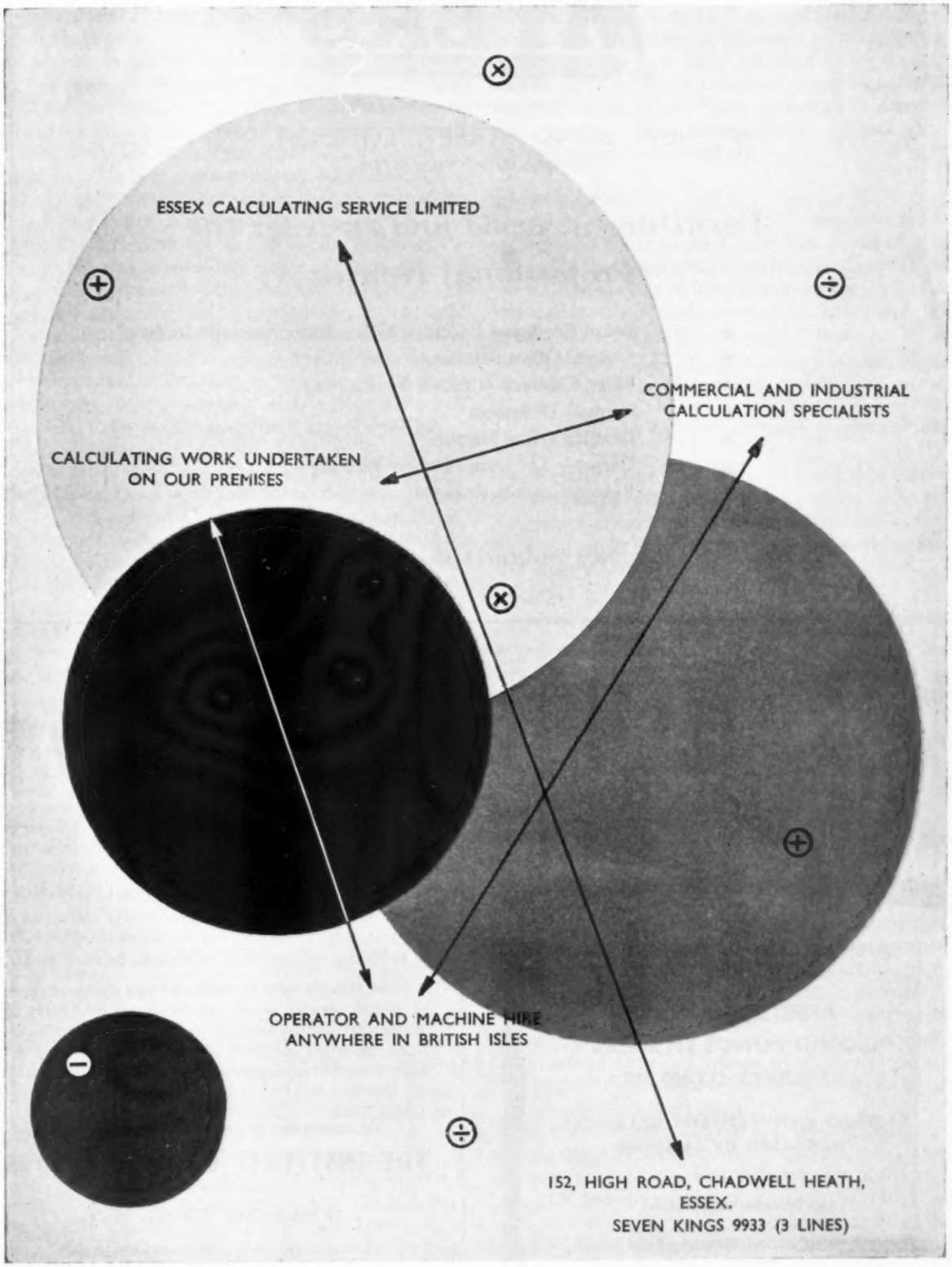
Their Lordships accordingly held that the Section does not effect any fundamental change in the common law—under which, for example, contracts of personal service cannot be transferred without the consent of the parties themselves, as employer and employee—but is:

> procedural only, enabling what previously could have been carried out by one method to be carried out by another.

Once again, then, we find that the plain words of a Section, considered in isolation, may not mean what they appear to mean.

In *re B. Johnson & Co. (Builders) Ltd.* the facts were that the chairman and managing director of a company held 700 of the 1,000 £1 shares which were the issued capital of the company and that a bank had advanced money to the company on the security of a debenture charging the undertaking and property. The bank eventually appointed a receiver and manager. Later a liquidator was appointed and some time afterwards the receiver was discharged. An application was later made to the court for an order under Section 333 of the Companies Act, 1948, for the investigation of the conduct of the receiver and manager and also of the liquidator.

It was alleged, *inter alia*, that on his appointment the receiver and manager had brought about loss and destroyed the goodwill of the company by stopping its work and immediately selling building estates on which there were partially-erected houses. It was also alleged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that he had caused loss by failing to put in claims under the Town and Country Planning Act, 1947. The liquidator was accused of having misapplied property belonging to the company.

The allegations against the receiver and manager failed, in the first place, on the ground that despite the definition of "officer" in Section 455 of the Companies Act as including a manager, the receiver and manager was not an officer, since his managerial work was not done by virtue of an office held of the company. Moreover, it was held that though he was manager of the property of the company he was not manager of the company, since he acted for the debenture holder and not on behalf of the company. He was accordingly not within the class of persons whose conduct could be the subject of an examination under Section 333. Similarly, it was held that the liquidator was concerned with getting in assets not for the benefit of the company but for its creditors and contributories and was not guilty of a misapplication of any property of the company. Here again, as Section 333 was held to be purely procedural, the claim failed.

The role of the judges

All these recent cases serve to emphasise that the judges make law, not only in administering the common law, but in interpreting Acts of Parliament. The common law which was originally unwritten, being "the commonsense of the community, crystallised and formulated by our forefathers," has been revealed and declared by judges in the light of that reason which, said Sir Edward Coke, " . . . is the life of the law"; their decisions making explicit what was perhaps formerly implicit and in this way adapting our English law through the centuries to the changing needs of successive generations.

While Parliament makes laws so also, then, do the judges in interpreting Acts of Parliament. Sir Carleton Allen, Q.C., F.B.A., sometime Professor of Jurisprudence in the University of Oxford, tells us (*Law in the Making*, fifth edition, page 475) that although:

> Judges must and do carry out the will of the legislature as faithfully as they can . . . there is a very wide margin in almost every statute where the courts cannot be said to be following any rule except their own. The statute then becomes . . . part of the social and legal material which judges have to handle according to their customary process of judicial logic.

There is evidence, too, of a growing tendency in recent years to break away from purely literal interpretations and to accept arguments based on the policy of statutes which, as an expression of the will of the Legislature, are to be interpreted in the wider context of their social and political purpose.

English law, however, is still rooted in the principle of *stare decisis*; but, though every judicial decision creates a precedent, it is not always appreciated that the only part of a judgment which is binding is what is known technically as the *ratio decidendi*—the principle of the case. Not every remark of a judge, then, may be strictly relevant in determining this principle: some may be *obiter*.

Successive precedents forming a line of cases on some particular issue can narrow an interpretation or, on the other hand, broaden an interpretation that was once literal. It is interesting to speculate how far the rigidity of the expenses rule under Schedule E, for long known as rule 9, is the result of judges in earlier cases having cramped the freedom of their successors in interpreting a rule that is now well over a century old and was made under conditions quite different from those of today.

The policy of statutes

We have seen that the law may never be more precarious and uncertain than when the words of a statute seem plain and that even a unanimous Court of Appeal can be led astray by hidden dangers lurking in an isolated and apparently straightforward Section. Lord Wright, in *Rose* v. *Ford* ([1957] A.C. 826) refers to

> a tendency common in an Act which changes the law . . . to minimise or neutralise its operation by introducing notions taken from or inspired by the old law which the words of the Act were intended to abrogate and did abrogate.

One might, indeed, seem almost justified in varying the words of an old tag and saying *tot judices, tot sententiae*. Yet judges are not only human but learned in the law, which, to quote Sir Carleton Allen in *Law in the Making*, fifth edition, page 478:

> draws its waters from the natural springs of society itself, not from the artificial reservoir of Parliament.

And just as the cohesive force of society itself is to be found in the reconciliation of conflicting claims, so the validity of English law depends upon the harmonising of tensions deriving from the different sources of legal authority; including, to name but three, Parliament, equity, and the common law.

Again, Chancery judges, Sir Carleton suggests, in interpreting statutes may well incline to a more equitable interpretation than their common law brethren. No doubt there is much force in this argument; the minds of others besides lawyers are frequently conditioned by the nature of the training they have received in their profession and the environment in which that profession is exercised. Hence the frequent difference in outlook, in their approach to professional problems, between accountants in public practice and those in industry and commerce. And accountants, as well as lawyers, are no doubt prone by reason of their particular training to make what Professor Laski, according to Sir Carleton Allen, has described as an "analytical" rather than a "functional" approach to the problems that confront them.

The law, however, as even Mr. Bumble recognised, is a living thing. What he did not perhaps appreciate is that hard cases must make bad law and that law is at times uncertain and even tortuous precisely because it is not only, in the narrow sense, a professional study but is, in the widest sense, a branch of sociology. And it is still true, as Sir John Powell is reported to have said in the old case of *Coggs* v. *Bernard* (1704, 2 Lord Raym, 909) that "nothing is law that is not reason."

Time Book-keeping on the Farm

By Ancrum Evans, F.C.A.

THE FOLLOWING SALIENT figures taken from the White Papers (Command 109 and Command 390) prepared for the price reviews of 1957 and 1958 show the importance of paid labour in the costs of farming.

Item	*1955/56**		*1956/57**	
	£ million	*percentage*	*£ million*	*percentage*
Total output (including grants, etc.)	1,423.5	100	1,494	100
Paid labour	**286.5**	**20.1**	**296.5**	**19.8**
Total farm expenses	1,098.5	100	1,180	100
Paid labour	**286.5**	**26.1**	**296.5**	**25.1**

*Years beginning June 1.

Paid labour absorbs on average over £900 per 100 acres per annum, hill land included.

From the foregoing figures of paid labour there is excluded the value of the farmer's own work and that of his wife and other relatives. It has been estimated that in 1952/53 the farmers and their families worked the equivalent of 480,000 man-units per week.* If a man-unit is costed at £7 per week, the additional expense of labour is £175 million, bringing the total cost of labour, paid and unpaid, up to nearly one-third of total output.

At each review the changes in cost during the preceding year are calculated. It can be seen from the figures that the cost of labour is annually the dominating factor in the total increase in costs.

It is notorious that many farmers fail to value their own time properly and few account properly for wages. The inertia is considerable, yet the crucial place of labour in the expenses of farming means that adequate records of labour costs are most desirable and in the years ahead may become essential.

*J. R. Bellerby, "Agricultural Income," *Journal of the Royal Statistical Society*, Volume 118, Part III, 1955, page 337.

Advantages of Time Book-keeping

Such labour costing as is done, usually by the larger farmer, is almost always done on a financial basis. But when wage rates are advancing, as they have been in recent years, financial costings can be misleading; comparisons of time taken cannot easily be made. Further, overtime and week-end working may be caused by weather and other factors, showing an apparent increase in labour costs, whereas on the basis of time taken efficiency may have been maintained or improved. Another advantage that time has over money as a measure is that it provides a means of comparing performance against the production standards prepared for the guidance of farmers by various universities and published by the Ministry of Agriculture in its handbook *The Farm as a Business*. The measurement of efficiency is further facilitated in that labour-time is an international unit of measurement. It enables, for instance, the labour requirements of sugar beet growing in Devon or the Fens to be compared with requirements in Michigan in the United States (see page 12 of *Productivity in Farming*, by the Anglo-American Council on Productivity). Again, the advantages of spending capital on a new building layout or on modern machinery can be adequately measured only by reference to time saved, and time records compared with standards will give one of the indications of the way in which the decision should go.

Time records are also of value in forecasting costs of future operations. Finally—an important advantage—accounting in terms of man-hours simplifies the book-keeping, since it enables most of the money calculations to be dispensed with.

A Method of Time Book-keeping

Time records require every farm worker and the farmer himself to prepare a weekly time sheet. But time sheets of some kind are frequently already in existence for recording hours worked and noting overtime. While it is imperative that the records should be kept simple, if the in-

Name	Rate	Piece-work	Rate	Overtime	Rate	Basic Time	Gross Pay	Deductions	Income Tax	Employee's National Insurance	Net Wage	Employer's National Insurance	Hours: Piece-work	Overtime	Basic Time	Total	Dairy	Young Stock	Sheep	etc.	Corn Cultivation	etc.	Threshing	etc.	Tractor M'tce	Ditching	etc.	etc.	Remarks
	s. d.	£ s. d.	s. d.	£ s. d.	s. d.	£ s. d.	£ s. d.	£ s. d.	s. d.	s. d.	£ s. d.	s. d.																	

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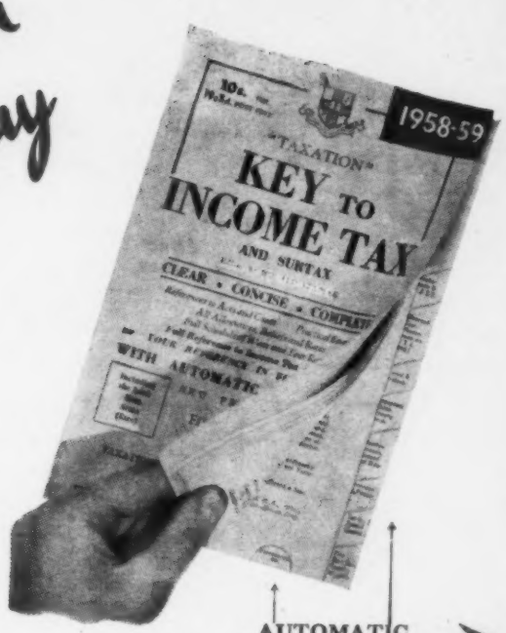

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formation is to be really useful for more than the calculating of wages it is necessary to have something more elaborate than the very incomplete sheets that are often all that is used by the farmer. Protests that the recording of time is impractical must be regarded as an admission of indifferent management.

The time sheets can be simple pieces of paper, seven days to the sheet, and it will usually suffice for there to be room for only four or five items a day. In addition to describing the nature of the work, the type of crop or animal or the like should be stated, and possibly also the equipment used. Units of ten minutes will normally suffice.

It is convenient if the time is summarised on the time sheets and the weekly totals are entered in the wages book, where they may be needed in any event. A suggested layout of a wages book designed for this purpose is given above. The first part of the ruling is for the normal financial book-keeping requirements. The time columns are, however, divided into a total column and two groups. The first group, which comes before the total column, provides for three columns—for (*a*) ordinary time, (*b*) overtime, (*c*) time worked on piece rates. The second group of twelve columns provides for a functional analysis, as may be appropriate. Twelve columns may well prove to be an inadequate number for the larger farm: a secondary analysis can then be prepared.

The weekly totals are carried to a time ledger or to summary sheets—the degree of analysis and number of accounts depending upon the effort the farmer is prepared to spend, having regard to the advantage likely to be obtained.

A main consideration in determining how detailed an analysis is worth-while is the standards that are available. In *The Farm as a Business*, standards are given for:

(*a*) Man-hours per year per head of most livestock;

(*b*) Man-hours per year per acre of the more usual crops;

(*c*) Certain more detailed items—for example:

(i) Man-hours in rearing spring-born and autumn-born calves;

(ii) Man-hours for combine and binder harvesting for the various operations of cutting, stooking, raking, carting, and so on.

The combining of wage and time records is important in ensuring that they are both complete; a partial record is very often inaccurate. Complete records reveal the very considerable amount of time which is non-productive or spent on maintenance—time that might otherwise pass unnoticed.

In conclusion, two *caveats*. The time sheets must be scrutinised by the farmer, or by some responsible person on his behalf, very soon after the entries are made in them, for shortcomings must be made good while memories are still fresh. And the farmer must not forget his own time!

Professional Education

On March 28 and 29 the Association of University Teachers of Accounting held a conference on accounting education at the London School of Economics. There were three sessions: (1) The Professional Bodies and Accounting Education; (2) Educational Arrangements in Other Professions and in Scotland; and (3) The Development of Accounting Education.

The chair at the second session was taken by Professor W. J. Baxter (London) and the panel, to whom six questions were put, consisted of Sir Edwin Herbert, K.B.E. (member of the Council and Past President of the Law Society), Mr. J. Brandon-Jones, President of the Architectural Association, and Mr. A. D. Paton, C.A. We publish below a report of part of this session.

We hope to publish later a further report.

(1) Please explain the study, service and examination requirements to be complied with by a young man entering your profession before he becomes qualified for membership.

Sir Edwin Herbert—For solicitors there are four basic requirements. The Law Society has to be satisfied that the man has a good general education, which can be very roughly equated with university entry. Secondly, the Law Society must be satisfied that he is of good character and the type who will make a good solicitor: he is interviewed by a panel of practising solicitors for that purpose. Thirdly, he must be properly trained technically in the law, and must take the Intermediate examination and the Final examination. Fourthly, and perhaps most important, he has to serve a period of articles, normally for five years.

Mr. Brandon-Jones—The architectural profession has an institute, the Royal Institute of British Architects (R.I.B.A.). It also has a register, which is comparatively modern, and a registration council in charge of the register. The legal qualification, before you may call yourself an architect, is that you must be on the register. But the register is really a child of the R.I.B.A. which is the only body whose examinations are in fact recognised by the registration council.

The position is rather peculiar. What the R.I.B.A. hoped when they set about promoting the Registration Act was that they themselves would become the registering body and have the register. Unfortunately, some splinter groups

broke away and set up on their own, and although the R.I.B.A. is about 90 per cent. of the profession there were sufficient people outside it, including master builders, to ensure that the register was set up outside the R.I.B.A. It is in fact controlled by a registration council of which the members are in proportion to the membership of the various bodies—including architectural societies and so forth. My own Architectural Association was not one of the rival bodies set up—we are nearly as old as the Institute itself. We are an educational institution and not a professional institution. We are represented on the registration council, and so are various splinter groups. The R.I.B.A. has about 60 per cent. of the total membership, so that it really controls the registration council. It will do so as long as the majority of architects can be persuaded to join the R.I.B.A., and as long as that situation goes on the R.I.B.A. examinations will presumably be the approved examinations and taking them will be the only way in.

The real aim of the rival bodies is to reduce the level of examinations by getting their own examinations approved at a slightly lower level than those of the R.I.B.A. They could then put a majority of people through, swamp the R.I.B.A. and get control of the registration council. There is always the liability of a very dangerous split as things stand at the moment.

The method of qualification in earlier days was quite often through articled pupilage. Up to the beginning of the century it was entirely so, and up to 1914 it was usually so. About 1920 full-time day schools in universities and technical colleges really got under way. Now there are about twenty-five recognised schools holding examinations approved by the R.I.B.A. for the Intermediate—twelve schools of art, six universities, five technical colleges, two independent schools. The Intermediate examination takes three years. For the Final examination, which takes two years, there are only twenty schools recognised — seven schools of art, six technical colleges, six universities and one independent school, our own Architectural Association school.

After qualifying in any of the schools, one year's practical work in an architect's office must be done—I suppose this service is roughly equivalent to articled service, although there is no actual document. A certificate has to be produced from a qualified architect showing that the student has worked on the practical side for at least a year. We are increasing the period shortly to two years, because we found that we were letting people in who really did not know anything at all about the practice of the profession and yet on paper appeared to be fully qualified. If the student is going into a university school he must take the university entrance examination; most of the other schools have their own entrance examination. In my own school as a basic minimum we ask for five subjects at "O" level in the General Certificate of Education, English and Mathematics being compulsory. We also inspect sketch books and so on, to judge of any particular ability that might qualify the man for architecture. We also insist on interviews.

If one enters via articles attendance at one of the schools is not mandatory. The R.I.B.A. holds examinations twice a year and if you don't go to a school you can take the examinations. Some people do put themselves up for them, taking no proper graduation at all, and trying year after year in the hope that some day somebody ask them questions to which they know the answers. The policy of the R.I.B.A. is to recommend candidates if they can to attend a recognised school but the other door is not closed. Before you sit, however, you have got to produce portfolios of drawings and various other things.

The examinations of the recognised schools are recognised: there is an external examiner from the R.I.B.A. taking part and the school is inspected by the R.I.B.A. But if you go to one of the smaller schools which is not recognised then you have to take your examination at the R.I.B.A.

Mr. Paton—I think the brief answer to this first question is that to qualify for membership of the Institute of Chartered Accountants of Scotland the candidate must have obtained a standard of preliminary education which is slightly below university entrance; he must serve an apprenticeship and concurrently with his apprenticeship he must attend prescribed classes and satisfy the lecturers or professors in these classes, and he must also satisfy our examiners in the examinations.

(2) Please expand on your answer to (1) so far as it relates to *articles* (for example, are articles obligatory, are concessions made to graduates, and so on?).

Sir Edwin Herbert—Articles are compulsory for would-be solicitors. The only exception, a minor one, is that a barrister who wants to be disbarred and become a solicitor can do so by taking the Final examination without articles. We regard the period served under articles as perhaps the most important element in the whole training. The solicitor's clients require answers to practical questions, generally on the nail, and the only possible way in which the practice as distinct from the theory can be learned is, we believe, by serving under articles.

The basic period is five years. A man with a university degree, whether in law or any other faculty, is entitled to be articled for three years; with his three years at the university he spends six years in all against the articled man's five years. A law degree, but not a degree in another faculty, also gives exemption from the Intermediate examination of the Law Society and exemption from the compulsory year's attendance at law school.

We take articles seriously on both sides. You cannot be admitted as a solicitor unless you can produce a certificate of good service under articles: the principal has to certify that the clerk has behaved properly, been reasonably diligent in his studies and in his attendance at the office. We are seriously considering whether we won't vet principals! But that is a very delicate and difficult subject. We haven't screwed up our courage to do it yet, but there is the type of black sheep who will take an articled clerk more as a cheap office boy than anything else; there is the solicitor who will do it merely for the sake of the premium—we still have a system of paying premiums although it is falling off rather fast.

Mr. Brandon-Jones—I think a period of articles is extremely valuable. That is borne out by the fact that we are now insisting on a period of practical work at the end of the course. But I am inclined to think that is rather putting the cart before the horse: I would like to see the student doing the practical work at the beginning, or at any rate split it between before and after the university course. I think five years' continuous work on a drawing board in a university is one of the things that can be quite disastrous because the man can get right away from any sort of reality.

Mr. Paton—Articles are obligatory and like the Law Society we regard them as perhaps the most important part of the accountant's training and education. Candidates coming direct from school serve five years' apprenticeship; for graduates who have had at least three

full years at university, it is reduced to 3½ years. There are very few offices which ask a premium now and the Institute recommends modest remuneration ranging from £80 to £240 per annum during apprenticeship. Unlike the Law Society, the Institute does not vet entrants. The matter is left entirely to the master who proposes to engage the person as one of his apprentices.

Professor Baxter—The other speakers were perhaps unduly restrained on the matter of financial arrangements between articled clerk and principal—perhaps they would be rather more specific.

Sir Edwin Herbert—The traditional system has been that the articled clerk paid a premium to the solicitor for the privilege of serving in the office and the clerk received no remuneration of any sort or kind during articles. That is still the tradition and premiums are still taken but I think for many years the practice of taking premiums has become much less rigid than it was. I think that any good young man can now find a solicitor who will take him without a premium. The difficulties of paying premiums grow year by year with social legislation and other social practices change, especially in the nature of taxation.

I think it is still the general practice not to pay articled clerks any remuneration, whether salary or subsistence, though some firms have returned the premium to the articled clerk by instalments over the years. I am quite satisfied that we have got to pay articled clerks at any rate the subsistence they would get from a scholarship or grant, or we price ourselves out of the market for the really good people, when you consider the attractions which are put by big commercial concerns in the way of any capable young man coming down from university. Putting it very bluntly, if *Imperial Chemical Industries* are prepared to take a graduate on chance, without strings, pay him £650 a year and train him for three years—which is what many other businesses also do—how can a solicitor hope to get the sort of person he requires if he has to tell his parents "he'll get nothing for the next three years and not much after that."? (*Laughter.*)

Professor L. C. B. Gower—I would very briefly supplement that. My experience now is that there is no difficulty whatever in getting people who have taken a law degree into articles without payment of premium. I also think the position on salaries rather more favourable than Sir Edwin suggested. Certainly the vast majority of graduates now get a small salary during articles—it may be as little as £2 a week but it may be as much as £10 a week, the highest I have come across. Sir Edwin is too modest to say it himself, but this desirable change is largely due to his influence in the speeches he made during the time of his Presidency of the Law Society. It is a very rapid and sudden change.

I cannot speak with personal experience of people who have not taken a law degree before articles, but officials at the Law Society tell me that they believe a majority—something like 60 per cent. —of all articled clerks are now paid something during at least part of their articles.

Mr. Brandon-Jones—Articles in the architect's profession have rather rapidly died out and the only similar requirement is the comparatively short period of practical training after qualification. Anybody who has qualified at a university or other school of architecture reckons that he has been very hardly done by if he does not get £10 a week, even if he has not had the experience; and by the time he has had it, he thinks he can get a lot more still.

I think the system of articles declined because we found the profession had to put itself on a much more scientific basis. We are so tied up with engineering and all sorts of other subjects; there have been great technical improvements; people had to go to lectures. If you were an articled pupil it was all very well if you were in a first-rate office. The number of people I can think of where I know an articled pupil would be really looked after and properly trained, I could count on the fingers of one hand. I think there is no doubt that even a second-rate school of architecture is better than a fourth-rate office training.

There is some resistance against the decline of articles from professional architects in some provincial towns who see a means of cheap labour disappear. In those places the last stand of pupilage is going on and it is going on for the wrong reasons. The people who were capable of running pupilage properly are not fighting for it because they think that on the whole, taking it all round, the school is likely to produce a better result.

Professor Gower—To qualify for the Bar one joins an Inn of Court and keeps terms for three years, which means nothing more today than eating a certain number of dinners per term. If during those three years you pass certain examinations at the end of the time you are called to the Bar. There is no requirement for any form of apprenticeship or practical training at all, but in fact most people who propose to practise at the Bar do read in chambers for six months or a year after they have been called. They pay 50 or 100 guineas for the privilege of so doing, and are very unlikely to earn anything at all during their pupilage.

To help people pass examinations the Inns of Court run a law school which gives lectures and classes.

(3) Please expand on your answer to (1) so far as it relates to *examinations* or other tests of proficiency.

Sir Edwin Herbert—There are four examinations for the solicitors' profession, three compulsory and one voluntary. The first is the Preliminary examination in which the Law Society is the examiner. The standard is rather below that of university entrance although we have raised it a good deal in recent years. In fact, not many people take the Preliminary examination because they can get exemption from it by various combinations of the G.C.E. at Ordinary and Advanced level. I feel strongly that specialisation should be left as late as possible in the educational career and that there should be considerable elasticity in the exempting examinations, providing the standard is ultimately adequate.

The second compulsory examination is the Intermediate, for which you get exemption if you have a law degree. It is normally taken at the end of the first year of articles or thereabouts. It is really a preliminary canter over the whole field of law in a fairly elementary way. It is usually preceded by the compulsory year's attendance at law school —that is compulsory for all articled clerks other than those who have law degrees. The course in London is taken at the London law school of the Law Society. We have no law school of the Law Society in the provinces and there the various universities, supported by grants from the Law Society, provide courses which should lead to the Intermediate examination. Although satisfactory in that the university gets some money out of these courses, I think they are a complete waste of time from the point of view of the student and nothing but an embarrassment to the universities, who are trying to mix oil and water. I shall mention this criticism later.

The Final examination is a very difficult one. You can prepare for it either at the Law Society law school or

through law coaches or through correspondence. It consists of a series of compulsory papers covering the general field of law. In recent years we have altered the syllabus so as to provide alternative choice of papers, giving people who have been in particular offices and doing particular work a chance of taking a paper in the subject of which they have had experience. There are now four compulsory papers and two optional papers in the Final. It is an intensive practical examination. The examiners are technically the examination committee of the Law Society but the papers are in fact set and marked by practising solicitors or people who have been practising solicitors.

The honours examination is a voluntary examination much more academic in tone. It is rather like an honours degree, but the element of practicality persists, because before the examiners even read the answers to the honours examination the candidate has got to have attained a particular standard in the pass examination. A man may take the pass papers one week and the honours papers the next week, but unless he has reached a sufficient standard in the pass examination, his honours papers will not even be read.

I had a study made two or three years ago on the subsequent careers of people who had done well in the honours examination. With very few exceptions they had done particularly well in practice afterwards. The idea that an academic training leading to a degree or honours examination is not useful in practice is, I think, completely wrong.

Professor Baxter—The honours examination is obviously something which is in great contrast to what obtains in the accountancy profession and no doubt we shall come back to that subject later.

Mr. Brandon-Jones—Our examinations are very difficult because we have to examine design which it is almost impossible to examine. Thus one reason why the school does tend to work out more successfully than articles is that when you are working in an office you can be given small things to do, but usually you do not get any experience of laying out the plans of a whole building, discussing requirements with clients, formulating the scheme and so on. The school training, however, is designed to give you just those things.

The examinations of the R.I.B.A. require the production of testaments of study, and that means producing a portfolio full of designs based on programmes or lists of schedules of requirements set by the Institute. A man in one of the recognised schools produces a portfolio of designs done during his school career. In fact, it is difficult to disentangle the examination from the school course because the whole course is really a continuous examination.

The second part of the papers consists of the ordinary written papers. One of our principal problems is how much one can really expect an architect to know of the increasingly complex matters associated with buildings, matters on which in practice a consultant may be engaged.

After the Intermediate examination (three years) and the Final (two years), one becomes an Associate of the Institute and a registered architect. Then there is the one examination, held back until the completion of a year—in future two years—in an architect's office; the examination is partly on legal work.

The second stage of membership, the Fellowship, is rather a farce, I think, because it is wrong that the Fellowship should really mean nothing more than the Associateship—in fact sometimes rather less. If you are an Associate you must have had a proper training and passed the examinations. You can get entry to Fellowship in various other ways; for instance, when the Registration Act was passed people who had been practising as an architect before the Act was passed had to be allowed to go on and were let into the Institute as Licentiates. It is possible to become a Fellow from the Licentiate class.

(*To be continued*)

Can you read this article in three minutes or less? If not, you certainly need to read it!

He Who Runs May Read

by David Gunston

IT HAS BEEN said, with truth, that modern executive efficiency depends increasingly upon a high degree of skill in two very ordinary things: reading and remembering.

Memory training has long been familiar, but only comparatively recently has any serious thought been given to improving skill and speed in normal, day-to-day reading. Quick reading is a new ideal.

We all of us have to read more and more, not leisurely as with great literature, but hurriedly, against time. The average business executive finds his eye-work constantly lagging and a mounting pile of printed matter waiting on his desk and bookshelves to be devoured. Even the most avid reader of novels with unlimited time would consider an average-length novel a day pretty good going. Yet that is just what most busy executives are expected to tackle as the minimum each day—50,000 to 60,000 words, the contents of a slimmish novel or a serious Sunday newspaper read from cover to cover. The weekly intake of the printed or typed page would at this rate be at least 250,000 words. That total might be made up of, say, 150 business letters (incoming, outgoing and file copies for reference), 60 memoranda, 20 business reports, 6 daily papers, 2 Sunday papers, 4 trade journals and 2 periodicals. In practice, however, many top executives must assimilate much

more. The estimate omits books and industrial reports, political and economic commentaries and the like, and it includes only one daily newspaper. To keep abreast of trade, technical and scientific discoveries, to say nothing of the swiftly-changing world scene, a great number of businessmen need to be capable of speedily reading and absorbing something more like 100,000 words a day.

The office typewriter churns out words at perhaps 50 a minute, eight hours a day; the duplicator at 500 a second; the rotary printing press at anything up to 10,000 a second. Yet we normally speak only about 200 words in a minute, and read between 300 and 500 a minute.

As a rough guide to your own reading speed, if you can read through and understand the whole of this article (2,200 words) in not more than three minutes, your reading speed is above the dividing-line of 700 words per minute, or very good. If you take four to four-and-a-half minutes, your reading speed of 500–550 words per minute is still well above average, while if you need around four-and-a-half to seven minutes your reading efficiency is only just about average. The trained quick-reader would be able to absorb this article in anything from two to three minutes, with a comparable saving of time on everything else read as well. The essential criterion is to read to understand fully, not to skim through, gleaning only a rough idea of what the whole is about. Skimming has its uses, and its rate may with training be stepped up to fantastic speeds, but it is not quick reading, which is merely ordinary reading speeded up to take the fullest advantage of the human optical apparatus and to cut down wasteful methods of coping with the printed page.

Now all this may sound like a remote ideal for those with aptitude, and sheer unprofitable grind for those with none. Yet the fact remains that an ordinary average reader can step up his usual speed of, say, 320 words a minute to around 900, solely by training his eye and brain to work faster and less wastefully. Certainly, aptitude plays some part, but even the slowest reader can be helped. One must be convinced, first of the advantages (which should be obvious) of quicker reading, and then of the immediate possibility of increasing personal skill in this way. Without doubt it is true to say that everyone with normal eyesight, or with the required correction provided by spectacles, can improve his reading efficiency to some extent without placing any strain upon either the optic nerves or the brain.

Training can raise the reading speed by improving the function of two essentials—the eye-page relationship and the eye-mind relationship. The first of these relationships is improved by obviating the waste of time caused by undisciplined eye movements, and the second by teaching the brain to take in at a glance not just a single word but a whole group of words. Reading training also encourages a reader to adjust his speed to the gravity or importance of the words themselves.

The technique of stepping up individual reading speeds and applying such training in industry, commerce and education is an American notion that has barely yet caught on in Britain, where we have sorely neglected the whole subject. The Americans have studied reading training closely and scientifically, devising not only basic methods of training in faster reading, but also ingenious electrical apparatus for carrying it out. Several of their universities have helped in these investigations, and there is a growing belief that basic tuition in reading more quickly than the present accepted norm must become part of the everyday curriculum in schools and colleges throughout the country. That, in fact, a generation hence Americans will automatically read much more quickly and more efficiently than they do now. Hustle will then have invaded the printed word! After all, they claim, we still read in exactly the same way as the educated did before the spread of mass literacy —and as the observation of a moment will prove—with many of us still using the primitive and half subconscious technique of quietly saying each word over to ourselves as we read.

The American quick readers have, as might be expected, tended to invest their innovation with a certain aura of the revolutionary and the frightening that is hardly justified. They have brought to it a special jargon that may pehaps intimidate some; certainly one or two of the terms used have a slightly 1984-ish sound to them: phrases that one understands are "thought-units", checking on speeds is "pacing," and there is much talk of "comprehension percentages," "overall average improvement" and the need for "motivation" if one is to succeed. But for the ordinary businessman the pragmatic test, that the techniques do in fact produce results, can suffice.

The key to quick reading is in training oneself to absorb whole phrases at a time, instead of just single words. The ordinary reader moves his eye jerkily from each word to the next, pausing and continuing, sometimes going back for a second look. This process, the experts claim, is little better than the lowest reading stage of all, articulating each word to oneself as one reads. Training starts with the basic assumption that the learner reads word by word, as if he were actually reading aloud. It has been computed that the time spent with the eyes focusing on separate words accounts for up to 90 per cent. of the time taken to read any passage, and it is this section of the reading process that offers the greatest scope for greater speed. Training is therefore concentrated on reducing the number of times the eyes stop on each line and, consequently, on achieving a corresponding expansion in the span of print taken in at each stop. To this end various methods are used, until the student reaches his limit. At this point the learner's confidence in his newly-found ability must be consolidated, otherwise he will all too easily revert to his former inefficiency. Confidence building is greatly assisted by including in a training course a series of timed exercises. They may consist of passages of about 1,000 words which are read at maximum speed consistent with the difficulty of the subject-matter. The time taken to read each exercise is recorded and a set of questions on it

is then posed. Thus a record of progress in both speed and comprehension is obtained.

An important aid to comprehension is an understanding of paragraph structure. The quick reading courses so far devised are in the main designed to help the businessman in dealing with semi-technical and business literature, which can be described as "practical prose." The primary purpose of such practical prose is to convey information and the best way to do that is to use separate paragraphs or sections to express separate items of thought of information. Each paragraph then contains a "main idea" and supporting details. This ideal arrangement is not always achieved, but it occurs often enough in practical prose to make it worth while devoting time and practice to fostering the ability of extracting from a paragraph its "main idea" in the minimum of time. If each separate paragraph is read in this light, comprehension of a whole passage becomes much simplified.

It is not difficult to train the eye to read by phrases or even whole lines of words together, swiftly extracting the point of each paragraph and passing smoothly on to the next, a rapid mental and optical process geared to modern needs. In time there comes an instantaneous recognition of words, phrases and even figures, greatly increasing the speed of reading.

There may be wide diversity in the manner in which reading improvement courses are presented. Some are conducted by correspondence. Some use "mass instruction" by the teacher, in others each student is taught individually. However, two main training methods have been found most effective. One, devised by Harvard University, uses split-second projection of gradually lengthening phrases on to a cinema-size screen to teach large groups of people at the same time. More lastingly effective is the other method, based on apparatus devised by the *Reading Laboratory, Inc.* of New York; it employs small table-top machines for individual tuition. The method is generally more successful, because the reactions and aptitudes of people vary, but it needs more time and training staff.

The first machine used is called the tachistoscope, or flash-meter. Words, phrases and numbers of gradually increasing complexity are momentarily illuminated on a card inside the box-like device, the exposures varying from one-tenth to one-hundredth of a second. In time the trainee learns to identify the message in a single flash of comprehension, and it is surprising how facile he becomes with practice. Most people learn very quickly to read and retain nine-digit numbers or complicated arrays of symbols. It is merely a question of practice and persistence. The faculty thus obtained is invaluable when it is necessary to focus the eyes speedily along lines of print.

The other machine really spurs one on to read a little faster, a little faster still . . . A green blind sweeps down the printed page, slowly but inexorably, as one is reading, forcing one to take in whole phrases instead of single words. The movement of the descending blind can be speeded up as proficiency increases. Here is a most ingenious device for teaching a faster rate of reading, and as detailed questions on the text have to be answered afterwards, there is no danger of a pupil increasing the speed of the blind faster than his rate of comprehension.

British investigators who have studied these American techniques confirm their value, but claim that the subject matter used is too simple for our purposes. They take the view that the quick reader should be able to assimilate even detailed technical material faster than the normal reader. Critics of the whole idea aver that it would be better to read less at the old speed, and blame the appalling prolixity of the mass of present-day printed reading. That seems an old-fashioned view, and in any event it would be difficult now to attempt to stem the tide. Nevertheless, a trained quick reader, even one skilled in speedy skimming, need not lose the art of reading good literature and poetry slowly and at leisure.

Quick reading systems have so far had only a brief and limited introduction in Britain. The *London Quick Reading Centre*, sponsored by Sir Robert McAlpine, has been temporarily closed down after a trial period of a year. It enjoyed no official or industrial federation support, had to pay a royalty to the Reading Laboratory for the use of its methods and apparatus, which was not designed for use in this country, and had to charge uneconomic fees. Nevertheless, it achieved some remarkable results and proved the investments of British concerns which took up the idea for their executive staffs (among them *Imperial Chemical Industries* and *Leyland Motors*) to be eminently worth-while. One concern whose twenty-eight executives took the fourteen-session course found an average gain in their reading speeds of 101.3 per cent. Individual reading speeds increased as much as 184 per cent. without any strain.

Doubtless much would have to be done before quick reading could become established over here, but results such as those quoted are impressive enough to suggest that more will be heard of this aid to personal and business efficiency.

Accountant at Large

Sunday in the City

THE ACCOUNTANT WHO leaves his office at the end of a strenuous working week to recuperate in the bosom of his family with lawn mower or book or television is unlikely on the Sunday to spare even a passing thought for the place in which he lives his laborious days. A district entirely given over to offices knows a Sabbath quiet of a different quality from that which settles over other places. Shopping areas have a kind of shadow life though they may be emptied of all people but occasional window-shoppers; residential areas have an aura of habitation though there may be no one in the streets. Even on the afternoon of Christmas Day, when the stroller, amid homes or shops, can feel himself frighteningly cut off from mankind—even then he will notice a difference when his way leads him into a street of offices. Factory groupings have the same quality of Sabbath emptiness, but factories, for all their unnumbered employees, have always, Sunday and weekday too, an inhuman air, a cat-like independence of the men that nourish them. Given that the word "lonely" has a human connotation about it, offices unoccupied are surely the loneliest places on earth.

Of all office districts the City of London is the exemplar, alike in its concentration of offices and in the numbers of its office workers. The tide that surges into it in the morning and out of it at night is the flow and ebb of every other town magnified out of recognition (or reduced *ad absurdum*, if you prefer); so that when the offices are empty one might expect it to be the most desert of urban areas. Yet it is nothing of the kind. At night and at weekends it recaptures some echoes of its former being, as a place where people lived; for the City has its population still, and as suburbanites travel in their subterranean sardine tins back to their dormitories to sleep one may picture the real Londoners sighing with relief and walking in their streets unimpeded by the daily intruders.

Through the week they are still there, living in the midst of the bank clerks and brokers, the average adjusters — and the accountants; often in top flats, in which domesticity can be passingly glimpsed by neighbouring clerks and typists. There is at least one City roof which has upon it a kennel and a wired enclosure, in which a small white dog spends such time as he is not indoors. A dog's life, or not, according to how you use the phrase. But who are we, anyhow, to judge of his happiness? He is at least on his own home ground, and we are not, as we look at him. It is we who are the transients, sleeping fifteen or fifty miles away from our work place, and living—where?

There are children in the City of London, and they go to school in the City; and if we come to work earlier than usual we may find them running under our feet — unobtrusively enough, to be sure, for the true Londoners keep themselves very much to themselves. The City worker comes and goes, and while he is in London he is like the traditional Englishman abroad, thinking that all around him must by some law of Nature be his. But if he works very late at night, or comes visiting on Sunday, he will find himself lonely without the support of his fellow millions—and it is not he who is then the native.

All this, and much more, can be borne in upon the man who glimpses for the first time the indigenous life of the City, perhaps as he comes to work on a Monday morning, eager or snail-like after his brief absence. What has been happening since he left on Friday? Can anything happen where he is not? The City churches, those surviving glories of London's earlier life—what happens in them on Sunday? Those other transients, the army of cleaners, which retreats from the City before him in the morning, and invades it when he moves out—them he can comprehend, they are an extension of his own activities. But yesterday there were no cleaners in the City; and he wonders for a moment at yet another part of the world around that is strange to him. There is so much of our civilisation to be taken for granted, so much goes on around us for our benefit, that each new momentary view of it deserves to be noted and remembered. Next Sunday—yes, next Sunday, without fail—he must come in and look for himself.

And if we are going to our office in Birmingham or Bolton or Brighton, substantial though the difference is, yet the same thought may come. In London, and above all in its City, the contrast between day of work and day of rest is sharper than anywhere else because it is in London that the artificialities of dormitory suburb have been most thoroughly developed; but it is only the most fortunate of men even away from London who can work within a quarter of a mile of their homes, and for most of us, outside as well as in London, our offices are *terra incognita* on Sundays. In the City there is a move afoot to build homes again within the precincts, and some small proportion of office workers may eventually live there once again. This must on any showing be a good thing. The dormitory way of life is so extensive now that no large numbers of people can ever hope to live near their work in a real community; many of us must continue to pay our rates in one area and earn the money to pay them in another, and many would not have it otherwise. But it may be that dormitory living has reached its peak, and that there will even be some slight recession in it. Sunday in the City will still be peaceful, and still the traffic—by tube, rail and 'bus—will all be one-way on a radius from the centre, morning and evening, but among the several handfuls of new Cockneys there will be a handful of accountants who will watch the crowds with privileged disinterest, and will walk home from their work down the end of a City lane.

Investment Companies—When is Profits Tax "Payable"?

STATUTORY PROVISIONS HAVE sometimes to be applied to circumstances they were not designed to fit, the circumstances not having been present in the mind of the draughtsman when the legislation was being drafted. In that event, difficulty may arise from the interrelation of different provisions which admit of cogent arguments in opposite directions.

Such a situation arose in *Special Commissioners of Income Tax* v. *Linsleys* (*Established 1894*) *Ltd.* [1958] 1 All E.R. 343, in which the House of Lords has overruled the unanimous decisions of three judges of the Divisional Court and three further judges of the Court of Appeal. The case concerned the right of the company to have surtax directions issued against it under Section 262 (1) of the Income Tax Act, 1952, so that it could make an election (as it would be entitled to do in the circumstances of the case) under Section 31 (3) of the Finance Act, 1947, and thus cease to be liable to an assessment to profits tax which, for the relevant period, greatly e:ceeded its investment income. The actual decision, however, turned largely upon the meaning of the word "payable" in Section 68 (1) of the Finance Act, 1952.

Surtax directions on investment companies

In the case of a trading company to which Section 245 of the Income Tax Act, 1952, applies, the tests of adequacy of distribution of income prescribed by Section 246 have to be considered before surtax directions can be given. Section 262, however, makes it obligatory that directions shall be given in relation to all investment companies, except where the whole of the actual income is estate or trading income. If an investment company receives part of its income from land or business, and part from dividends on investments, then the Section will apply automatically to the dividends, but will apply to the income from the land or business only if the tests under Section 246 are not satisfied.

Deduction of profits tax

In computing the actual income of an investment company for the purposes of a surtax direction, Section 262 (2) (*a*) allows such deductions to be made as would be allowable in computing the total income of an individual for the purposes of the Income Tax Act, 1952, together with management expenses and "any profits tax payable by the company". When Section 262 was enacted, however, profits tax was still allowed to be deducted in computing the profits or gains arising from a trade or business in any chargeable accounting period by virtue of Section 141, which consolidated earlier provisions.

The Finance Act, 1952, promptly repealed Section 141 of the Income Tax Act, 1952, so that profits tax was no longer to be a general deduction from trading profits, but made special provision to cover cases involving surtax directions. It is the wording of this special provision, namely, Section 68 of the Finance Act, 1952, which has given rise to considerable difficulty of construction.

Sub-Section (1) provides that where the actual income of a company liable to surtax directions "falls to be computed" under Section 255 (3) of the Income Tax Act, 1952, then, if any amount is "payable" by the company by way of profits tax for any chargeable accounting period falling wholly or partly within the year or period of assessment, a deduction is to be made of an amount equal to so much of the grossed-up amount of the profits tax as is apportionable to such year or period.

Sub-Section (2) then makes the necessary amendment to Section 262 (2) (*a*) of the Income Tax Act, 1952, so as to bring it into line with Section 68 (1) of the Finance Act, 1952, by substituting grossed-up profits tax as the amount to be deducted. The wording of this sub-Section is significant and is as follows:

> (2) Paragraph (*a*) of the proviso to sub-Section (2) of Section 262 of the Income Tax Act, 1952 (which relates to the deductions allowable in computing the actual income from all sources of an investment company in relation to which *a direction is in force under sub-Section (1) of that Section*) [our italics] shall have effect as if instead of authorising a deduction for profits tax payable by the company it authorised a deduction, in relation to any amount payable by the company by way of profits tax . . . [of the grossed-up amount of profits tax].

The important words, from the point of view of construction, are the words within round brackets. The House of Lords has now said that they contain a misdescription of Section 262 (2) (*a*) since it is not in fact necessary, as will be shown later, that a direction should be in force for the paragraph to apply.

Election under Section 31 (3) of the Finance Act, 1947

Since profits tax is now only a tax on corporate bodies and surtax only a tax on individuals, Section 31 (2) of the Finance Act, 1947, provides that where, pursuant to a surtax direction, income of a company from all sources has been apportioned among its members who are individuals, Section 19 of the Finance Act, 1937 (which charges profits tax) is not to apply; which means that

normally the Section charging profits tax does apply unless and until the actual income has been apportioned, but that it ceases to apply if and when the apportionment is made. Where, however, all the members of a company are not individuals but include corporate bodies, relief from profits tax is not automatic but arises only if the company itself and its non-individual members elect to claim it under Section 31 (3).

In cases where the actual income of a company subject to surtax directions exceeds the grossed-up amount of any assessment to profits tax, there can be no practical difficulty resulting from the interrelation of the statutory provisions which have been discussed because, even if the tax assessed has actually been paid before the issue of surtax directions, it can be reclaimed following the apportionment of the income of the company among its members, whether the right to relief arises under sub-Section (2) or sub-Section (3) of Section 31 of the Finance Act, 1947. And since the Special Commissioners who deal with surtax directions do not also deal with profits tax there is quite a possibility, especially in the case of trading companies, that profits tax may have to be paid first and reclaimed afterwards.

Profits tax "payable" may exceed income

It may happen, however, that the profits tax payable by a company in respect of a particular period exceeds the profits of the company for that period for the reason that, in the past, the company has enjoyed non-distribution relief in respect of profits not then distributed to its members; but when those profits come to be distributed, the company has to pay distribution charges corresponding to the earlier non-distribution relief, in addition to profits tax in respect of the actual profits for the period in question. What, then, is the position where profits tax (grossed-up) deducted from actual profits leaves the company with a minus quantity of income?

Facts in *Linsleys'* Case

Such, as already indicated, was the problem in *Linsleys'* case. The company sold its business on April 1, 1952, and from that date until May 7, 1953 (when it went into voluntary liquidation) the company was an investment company. For the period April 6, 1953, to May 7, 1953, it had an actual income from all sources of £8,920 but for its last chargeable accounting period (namely, April 1, 1953, to May 7, 1953) was assessed to profits tax in the sum of £18,927 (mainly on account of distribution charges in respect of assets distributed on the liquidation). Of the £18,927, the amount attributable to the period from April 6, 1953, to May 7, 1953, was £16,421. Grossed-up, this sum amounted to £29,856.

The company claimed that since it was an investment company the Special Commissioners of Income Tax were bound to give a direction under Sections 245 and 262 of the Income Tax Act, 1952, that the actual income of the company for the period in question should be deemed to be the income of its members, in which event a joint declaration by the company and its non-individual members under Section 31 (3) of the Finance Act, 1947, would relieve the company of its profits tax liability.

The Crown contended that (i) a necessary preliminary to a direction and apportionment is the computation of the actual income of a company from all sources in accordance with Section 255 (3) of the Income Tax Act, 1952; (ii) in computing that income, any profits tax payable by the company for the relevant period, grossed-up in accordance with Section 68 of the Finance Act, 1952, must be deducted under the mandatory provisions of that Section; (iii) the amount of the profits tax so payable was £16,421, and the gross amount to be deducted £29,856; (iv) when this sum was deducted the actual income of the company was reduced to *nil*; (v) there was no obligation to make a direction in regard to non-existent income, and no possibility of apportioning nothing; and (vi) as no direction could be given, the right of election conferred by Section 31 (3) of the Finance Act, 1947, could not be exercised.

The Court of Appeal affirmed a decision of the Queen's Bench Divisional Court directing the Special Commissioners to issue surtax directions against the company in respect of the period April 6 to May 7, 1953. This decision was based on the view (i) that income did not "fall to be computed" under Section 68 (1) of the Finance Act, 1952, until after a direction had actually been given (which was supported by the words in brackets in Section 68 (2) which refer to *an investment company in relation to which a direction is in force*) and (ii) that no profits tax was "payable" within Section 68 (1) until it had previously been ascertained that no election could or would be made under Section 31 (3) of the Finance Act, 1947.

Decision of the House of Lords

The House of Lords, although conceding that both sides could point to certain anomalies if their contentions were rejected, reversed the decision of the Court of Appeal. Their Lordships said that the provisions of Chapter III of Part IX of the Income Tax Act, 1952 (relating to surtax on the undistributed income of certain companies) required the Commissioners to determine the amount of income before they decided whether or not to give a direction in cases where they had a discretion and, therefore, the actual income of a company did "fall to be computed" within the meaning of Section 68 (1) of the Finance Act, 1952, at that stage. And the same rule must apply to investment companies because directions could be given to those companies only if they had actual income, and to determine whether they had actual income a computation must first be made. The correct order of events was therefore (i) computation, (ii) direction and apportionment, and (iii) elections (if any); not (i) direction, (ii) computation, and (iii) apportionment, as thought to be the case by the Court of Appeal.

It was held that the words in brackets in Section 68 (2) of the Finance Act, 1952, might support the view of the Court of Appeal, but were a misdescription of Section 262 (2) (*a*) of the Income Tax Act, 1952, which, it seemed, had crept in because the draughtsman assumed that a direction would always be given automatically to an

investment company, and did not realise that a computation must first be made to determine whether the company had, in fact, any actual income.

To treat profits tax as not "payable" until it had been ascertained that no election could or would be made under Section 31 (3) of the Finance Act, 1947, was to treat the making of an election as a *condition precedent* to the profits tax being payable; whereas, on the true construction of the statute, it was not a condition precedent, but a *condition defeasant*. Profits tax was "payable" when it was duly assessed on the taxpayer. It might, thereafter, cease to be payable if an election were made, but the legal position was that, right up to that moment, it was payable. The result was that, in computing the "actual income" of surtax companies—so as to see whether a direction and apportionment should be made—the profits tax (grossed-up) must be deducted before the direction or apportionment was made.

This decision is an important one for investment companies and involves an adjustment of outlook regarding the wholly automatic nature of surtax directions against such companies, since it is plain that, by however small a sum profits tax (grossed-up) exceeds actual income, profits tax rather than surtax will be payable. As Lord Somervell remarked, one would have imagined, in such event, that the income would be treated on a surtax basis, with the excess of the profits tax over that amount payable as profits tax, but such was not the case. The whole amount had to be handed over as profits tax.

On the other hand, where income exceeds profits tax (grossed-up) and profits tax has actually been paid, but is reclaimable under sub-Section (2) or (3) of Section 31 of the Finance Act, 1947, the sum recovered will not escape taxation but will be covered by an additional apportionment.

[*To be continued*]

Surtax and Companies—II*

Apportionments

One of the tests in determining whether a company is under the control of five or fewer persons is to see whether, if all the income of the company were distributed, the greater part of that income would be apportioned to five or fewer persons.

Illustration (1)

A company has two classes of share capital in issue, 6 per cent. Preference shares and Ordinary shares. Each share of either class carries one vote at an annual general meeting. The public owns the 25,000 £1 Preference shares in issue, while nine people own equally between them the issued Ordinary share capital of 9,000 £1 shares. None of the nine persons is a partner, relative, etc. As the public own shares with a fixed rate of dividend, the company cannot claim, on the grounds that the public are substantially interested, that it is a company to which Section 245 does not apply. It is obvious, however, that at an annual general meeting five or fewer persons cannot control the company by voting power. But if the income of the company for the year were £20,220 (before deduction of taxation), the Preference shareholders would be entitled to £1,500, and if all the income was distributed the Ordinary shareholders would divide £18,720 among them, or £2,080 each. Five ordinary shareholders would receive £10,400, which is more than half of the profits. The company would, therefore, come within the provisions of Section 245.

The situation would have been different if the company had an income of only £1,950. The amount distributable to the Ordinary shareholders would have been £50 each, or £250 for five members; £250 is less than half the profits: therefore the company would not come within the provisions of Section 245.

The position is clear in the above circumstances, but naturally becomes more complicated where there are interconnected companies. Where the income of a company is apportioned amongst its members, one or more of whom are companies, the amounts apportioned to the latter are apportioned amongst the members of that company or companies. If, among those members, there are other companies, this process of apportionment will be continued until a company is reached in which only individuals are shareholders or more than half the income of the first company has been apportioned to five or fewer individuals.

Illustration (2)

Aimless Ltd. is a company with the following Ordinary shares in issue held thus:

Mr. Airon	500 shares
Mr. Pain	1,000 ,,
Mr. Tame	500 ,,
Painful Ltd.	8,000 ,,
	10,000

The shareholders of Painful Ltd. are:

Mr. Pain	1,600 shares
Mrs. Pain	400 ,,
Harecome Ltd.	2,000 ,,
	4,000

Mr. Airon owns 4,000 shares and Mr. Pain 5,000 shares in Harecome Ltd. out of an issued share capital of 40,000 shares. Harecome Ltd. is under the control of five or fewer persons.

In determining whether the Section 245 provisions apply in respect of

*The first part of this article appeared in our issue of March, 1958, pages 129-130.

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Profits of Aimless Ltd.	500	1,000	500	8,000		
Division of sum applicable to Painful Ltd.		4,000		—8,000	4,000	
Division of sum applicable to Harecome Ltd.	400	500			—4,000	3,100
	900	5,500	500			3,100

Aimless Ltd., the income of that company must be apportioned and sub-apportioned as follows.

Assume the income of Aimless Ltd. were £10,000, this would be divided so:

Of the sum of £10,000, more than half (namely, £6,900) is apportioned to five or fewer persons, so Aimless Ltd. is a controlled company for surtax purposes.

[*To be continued*]

The Case Against Discretion

[CONTRIBUTED]

WHEN PARLIAMENT DECIDES to introduce a new tax it is unfortunately one of the first concerns of the Parliamentary draughtsmen to explore and provide against all the more obvious ways by which the citizens of the modern State will endeavour to avoid its incidence.

Thus, when Parliament decided to introduce a system of different rates of taxation on company profits according to whether they were distributed to shareholders or retained in the business, it was obvious from the start that enterprising ways would be found, if possible, of placing profits in the hands of the shareholders without attracting the appropriate higher rate for dividends. Loans to directors, when the directors were in effect the sole shareholders, were an obvious line to be explored. Increases of capital by the capitalisation of reserves, followed by a reduction of capital or (slightly more sophisticated, this) reductions of capital followed by increases and increases followed by liquidations—all these manoeuvres have been provided for through the years.

At the same time, if Parliament and the Revenue in concert are not to stifle industry and trade, they must allow certain legitimate manoeuvres for the reconstruction of company finance. It is not a distribution of profits for a company to be liquidated and its bare nominal capital to be returned to the shareholders, provided the capital does not appear to have been recently augmented by an over-generous capitalisation of recently acquired profits. Nor is it fair to tax as a distribution of profits a distribution of shares in a new company, if this new company has been formed to acquire the business of one which is going into liquidation, and agrees to take over too (by election) the tax position of the company which is being liquidated. If the new company steps into the shoes of the old, honour should be satisfied.

Both these manoeuvres are legitimate commercial reorganisations, and should not on principle be obstructed by any illogical incidence of taxation. The joke arises, though (if there is any joke about the business at all) in the fact that no one seems to have foreseen the combination of these two manoeuvres: if you liquidate one company, and form a new one which steps into the shoes of the old for tax purposes, the Revenue cannot claim that the old company is distributing profits if it merely distributes shares in the new company—at any rate if the shares of the new company are of no greater nominal value than those in the old, and all are fully paid-up in both companies.

If at the same time, however, in the liquidation of the old company, cash of no greater amount than the nominal value of the shares in the old company is distributed to the shareholders as a return of capital in the liquidation, the combined effect of the whole manoeuvre is that cash has been distributed from a business to its owners without attracting distributed profits tax: provisions which were intended by Parliament to be alternative have been utilised both together, and the Revenue is obliged to admit defeat.

Such is the bare outline of what occurred in the case of *Pollock and Peel Ltd.* [1957] 1 W.L.R. 822, a case which was noted in our columns in July, 1956 (pages 261–2), July, 1957 (page 313) and in greater detail in September, 1957 (page 397).

What could the Revenue do in such a case? It naturally explores the language of the taxing statutes thoroughly first, and if it thinks it has a fighting chance it goes to court. Pollock and Peel Ltd. were taken as far as the Court of Appeal, where the Revenue lost unanimously. The Revenue was even denied permission to appeal to the House of Lords, though it is always possible to apply to the Appeals Committee of the House of Lords for this permission. After that, of course, the Revenue may set in motion the somewhat cumbersome machinery for changing the law in the next Finance Act. (It usually prefers to explore first in the courts all possibilities under the existing law.)

In this particular instance the Revenue is not at the mercy of the

whole of the taxpaying public as a result of the unfavourable decision, for it still has a card up its sleeve: if a taxpaying company carries out this little exercise with the deliberate intention of avoiding profits tax, it falls within the terms of Section 32 of the Finance Act, 1951, which provides that where the Commissioners are of the opinion that the main purpose, or one of the main purposes, for which a transaction was effected was the avoidance or reduction of profits tax, they may make an order for adjustment, so as to set the taxpayer back exactly where he was before.

How do the Commissioners prove the purposes of such a transaction? The usual answer is the old legal maxim that a man is taken to intend the natural consequences of his actions, so that if a company executes a manoeuvre which has the effect of reducing substantially the tax payable, to produce that effect is presumed to be its intention in carrying out the transaction. It is open to anyone, of course, to show that other motives predominated.

Particularly in commercial matters, however, the natural consequences of a transaction may be completely incidental. They may, in fact, have been so in the case of Pollock and Peel Ltd. It was certainly no part of the case of the Revenue before the Court of Appeal that Section 32 was applicable to this company at all. The ordinary taxpayer, though, may well be entitled to enquire why it was that the Commissioners did not urge that Section 32 applied. Not just because he cares whether this particular company pays its few thousand pounds of tax or not, but because of the important principle that when everybody is supposed to be under the same system of law, everybody should be treated as far as possible in the same way. And in this case Pollock and Peel Ltd. were not even given a chance to show that when they set on foot these transactions they had any motive other than the alteration of tax. Other taxpayers like to know about these things, both because they like to see everybody treated the same way, and because they like to know where they are if they are likely to want to execute the same manoeuvre.

It rather looks in fact, in this case, as if the Revenue preferred to urge its claims to tax under the taxing statutes which deal with liquidations and reconstructions, in order to see, without having recourse to the somewhat unpleasant allegation that the provisions of Section 32 of the 1951 Act obtained, whether the manoeuvre executed by the company was taxable. It is better to allege that the taxpayer is taxable because the statute says so, than that he is taxable because he has tried deliberately to avoid liability. The Revenue may well have wished to ascertain too, by making a test case, whether this manoeuvre was practicable, and whether tax would thereby be avoided, and so might advisedly have omitted to seek recourse to the powers of Section 32. (It is a little embarrassing when attempting to have the law clarified by a test case to win the case on different grounds!) It is not unknown for the Revenue to take a test case in such circumstances.

If so, though, is it right that the Revenue should have such a discretion to use Section 32 powers or not to use them, as suits its purpose? What in fact is the proper use of the discretion vested in the Commissioners in such matters? Surely it is to use their discretion and charge a company with attempting to avoid profits tax in all cases in which it appears reasonably probable that a company is attempting to avoid profits tax, and not to offer the company as a guinea pig to the courts for testing another principle altogether.

The whole question of Revenue discretion goes very much wider than the particular application in this case, however, which is at best open to conjecture. The discretion appears in many circumstances to be an integral part of our taxing system. To take, for example, the whole question of director-controlled companies and profits tax. If a director-controlled company fails to distribute a reasonable amount of its profits, it is liable to find the Commissioners make a "direction," that the whole of its income for the year is to be regarded for surtax purposes as if it were the income of the individual proprietors.

Somewhat naturally, the company would like to know what is a "reasonable" proportion of its profits to distribute, because it does not want its members to become liable to a great deal of surtax unnecessarily, either by distributing too much of the dividends (which is against national policy anyway), or, on the other hand, attracting a "direction" for the year by distributing too little. The cautious company will seek advice from its accountants and they will usually be able to advise upon a safe margin, or even suggest ways in which the reactions of the Revenue may be tested.

Unfortunately, the Revenue itself is put in something of a dilemma by possessing this discretion: if it makes known what percentage of profits it regards as reasonable in certain circumstances, it is accused of Departmental legislation, and of laying down rigid limits which Parliament intended should be varied to suit individual cases. If, on the other hand, the Revenue refuses to indicate its views, the taxpayer has to resort to cautious enquiry of a roundabout nature, in order to obtain information which ought on principle to be generally available. Least satisfactory of all is the present system, where one or two "offenders" are sat upon heavily (for there is no half-way with a direction) whilst others who manage not to draw attention to their excessive appropriations to "reserve" (as the undistributed income is euphemistically called) reap the full benefit of their over-cautious dividend policy.

Trading companies and individuals ought to be able to know their tax position, if possible, before they embark upon ventures which commit them to fresh expenditure, for they may otherwise incur additional risk without the expectation of a commensurate profit. Discretion in the Inspector of Taxes means more flexibility, and in some ways, a form of rough justice which a rigid system sometimes denies. It is questionable, though, whether the tendency to more and more discretion is not leading to more commercial uncertainty than the merits of the system justify.

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IMPORTANT TO ACCOUNTANTS

Taxation Notes

Controlled Companies and Capital Withdrawals

Some companies which have accumulated profits under the protection of the Chancellor's umbrella over the past decade now seem to be tempted to get the profits into the hands of the members in a capital guise. It is well to remember the Chancellor's warning: " . . . this answer . . . will not apply where there are avoidance devices, such as the withdrawal of money from the company in the guise of capital" (House of Commons Official Report, Col. 55, July 22, 1948). None need be surprised if a direction were made over the past six years on a withdrawal of this type taking place now.

It is evident that the Special Commissioners are aware of the position and the temptation—witness the query recently raised when an application for a clearance was made under Section 252, Income Tax Act, 1952: "Whether any change in the capital structure of the company or in its method of carrying on business has been effected since September 3, 1956, or is contemplated? If so, particulars are requested."

Overseas Trade Corporations

A Statutory Instrument has at last been issued giving effect, mainly on procedural points, to the provisions of Part IV of the Finance Act, 1957, under which Overseas Trade Corporations may obtain certain relief from income tax and profits tax. The Statutory Instrument is entitled the Income Tax and Profits Tax (Overseas Trade Corporation) Regulations, 1958, S.I. 1958, No. 392, H.M. Stationery Office, price 5d.

The regulations set out the procedure for making claims to qualify as an Overseas Trade Corporation, as to returns, notice of elections not to be treated as an Overseas Trade Corporation, particulars to be given on dividend warrants by an Overseas Trade Corporation, the method of ascertaining the credit for foreign taxes, the computation to exempt trading income for the purposes of charge on undistributed income and the computation of income of a company which has ceased to be an Overseas Trade Corporation.

Interest on Tax Reserve Certificates

On March 6 the Chancellor of the Exchequer was asked in the House whether he was aware that although, according to the terms of issue, interest on Tax Reserve Certificates was exempt from income tax, profits tax and Excess Profits Tax, nevertheless such interest was grossed up for the purpose of assessing surtax and distributed profits tax; and if he would either amend the existing terms of issue or ensure that such interest was not chargeable to tax.

Mr. Simon in his reply said "No. Interest on Tax Reserve Certificates is exempt from both surtax and profits tax." When considering this reply, attention must be given to the decision in *Hutton* v. *C.I.R.* [1953] 2 All E.R. 93. Mr Hutton owned half the share capital of Hutton Shoe Co. Ltd. During the years 1942 to 1950 the company had purchased Tax Reserve Certificates, the majority of which had been surrendered in payment of taxes. The interest earned, as a result, amounted to £1,456 3s. 4d., of which £78 13s. 4d. had arisen in the year to June 30, 1943. On July 30, 1943, at the ordinary general meeting of the company, a resolution was passed as follows:

> That the sum of £78 13s. 4d. received in respect of interest on Tax Reserve Certificates for the year to June 30, 1943, be paid direct to the shareholders individually in proportion to their holdings of shares as at June 30, 1943.

Similar resolutions were passed in respect of interest received in later years. The Inland Revenue assessed Mr. Hutton to surtax on the amount he received, grossed-up at the standard rate.

Mr. Hutton's Counsel submitted that the interest received on the encashment of Tax Reserve Certificates was a sum apart from the ordinary trading profits, and that as the company did not bear tax thereon, under the terms of issue of the certificates the sum represented an untaxed fund in the hands of the company. Under the provisions of Section 184, Income Tax Act, 1952 (formerly General Rule 20), tax may be deducted by a company which is distributing profits only where the profits or gains out of which the distribution is made have been charged to tax or would fall to be included in computing the liability of the company to tax for any year if the computation was made by reference to the profits or gains of that year. The untaxed fund represented by interest on Tax Reserve Certificates would not fall within the provisions of Section 184. The company could not deduct tax, therefore, when making the payment to Mr. Hutton, who must receive the sum free of income tax and surtax.

After considering the arguments of Counsel for the Crown, Mr. Justice Upjohn decided that the interest on Tax Reserve Certificates was part of the amount standing to the credit of profit and loss account and that as that amount suffered tax, amounts paid out although stated to be in respect of interest on Tax Reserve Certificates were paid out of a taxed fund and had to be included at the grossed-up amount in computing the appellant's total income for surtax purposes.

The learned Judge argued as follows:

> The company in the course of carrying on its business has made profits. Upon those profits it has to pay tax, and it can pay tax in two ways, either by waiting for the due date and then paying cash out of its general fund standing to the credit of profit and loss, or by making an estimate of its tax liabilities and making provision by the purchase of Tax Reserve Certificates well in advance of the due date, and in due course surrendering those Tax Reserve Certificates and claiming interest thereon. If the company follows the latter course, the result is that its general fund standing to the credit of profit and loss is larger than it otherwise would be or,

what comes to the same thing, it has had to deplete that fund by less than it would have had to had it paid its tax in cash. All that has happened is this, that the general fund standing to the credit of profit and loss has been swollen by the sum of £78 13s. 4d. The case is analogous to receiving a discount on a trade debt. The company is left with a larger general fund to the credit of profit and loss, and not with a separate item in its profit fund representing a tax-free item.

If Mr. Hutton had been in partnership or in business as a sole trader, however, interest on Tax Reserve Certificates would be tax-free in his hands. He would have received the same sum in cash but would not have had to pay any tax on the interest. It is difficult for accountants to appreciate the workings of the legal mind in a matter such as this, as we have said and exemplified in the past.

Where is a Business Carried On?

A trade carried on wholly outside the United Kingdom (U.K.) cannot be charged to tax under Case I of Schedule D.; Case V applies and the assessment will be on the remittances basis. If the trade is carried on wholly or partly in the U.K., then Case I will apply.

Where the trade is carried on depends on where the central management and control actually abide. (*De Beers Consolidated Mines* v. *Howe*, 1906 5 T.C. 213).

Control is not necessarily the same thing as ownership; there must be the actual right to control the business. For example, a sleeping partner resident in the U.K. was held to be liable only on remittances from his firm which conducted the whole of its activities in Australia (*Colquhoun* v. *Brooks*, 1889, 2 T.C. 490), and a partner in a United States firm who resided in the U.K., where he bought and shipped goods for export, was also held to be liable only on remittances. A partnership business is one business and the control was in the United States (*Sulley* v. *A.G.* 1860, 2 T.C. 149).

On the other hand, an agent in oversea territories for a number of U.K. manufacturers who visited the U.K. to discuss business and to receive instructions was held to carry on his agency partly in the U.K. and so came under Case I of Schedule D (*Spiers* v. *Mackinnon*, 1929, 14 T.C. 386).

In the case of a company, control of the trade is not in the shareholders hands (*Kodak* v. *Clark*, 1903, 4 T.C. 549) but in those of the directors and is deemed to be exercised where the directors meet. Thus a company carrying on the whole of its activities overseas is liable under Case I if the directors meet in the U.K. (*Calcutta Jute Mills* v. *Nicholson*, 1876, 1 T.C. 83). That is so even if the business is managed by a non-resident with a power of attorney; he is still subject to the control of the directors who meet in the U.K., even if in fact no control is exercised (*Noble* v. *Mitchell*, 1926, 11 T.C. 372).

If a local Board overseas controls the business to the exclusion of the U.K. board, then the business is carried on overseas (*Mitchell* v. *Egyptian Hotels*, 1915, 6 T.C. 548) unless part of the trade is carried on in the U.K. (*Aramayo Francke Mines* v. *Eccott*, 1925, 9 T.C. 498). If part of a trade is carried on in the U.K. the whole of the profits are liable to tax under Case I (*Spiers* v. *Mackinnon*, 1929, 14 T.C. 386).

A new feature has been introduced, however, in the Overseas Trade Corporation, which is a company managed and controlled in the U.K. but trading wholly outside the U.K. (or the principal company of one or more subsidiary companies which are Overseas Trade Corporations and are its only subsidiaries). An Overseas Trade Corporation is assessed as if its trading income arose to a non-resident (Sections 23 and 25, Finance Act, 1957), i.e. there is no liability under Case I of Schedule D.

In the case of a person who is resident in the U.K. but carries on business in the Republic of Ireland, the whole income of the business is assessable in the U.K. on the same basis as if it arose in the U.K. (Schedule 18, Income Tax Act, 1952).

The transfer of the central management and control of a resident company from the U.K. to another territory, or the transfer of its trade, requires the consent of the Treasury (Section 468, Income Tax Act, 1952).

A Hard Case

Before 1952–53, in a trust estate with income from a building society, the Revenue allowed the gross equivalent of that income to be regarded as accounting for tax on annual payments for the purposes of what are now Sections 169 and 170, Income Tax Act, 1952. Section 23 of the Finance Act, 1951 (now Section 445 of the Income Tax Act, 1952) lays down the law that only the actual income received from the building society is to be regarded as accounting for tax on annual payments. Income from a building society is grossed only for surtax purposes. The following situation can thus arise.

A testator by his will left to his housekeeper an annuity of £500 per annum, saying nothing about tax. The trustees must therefore deduct tax. If the income of the estate includes building society interest, we may get the following position:

Income	*Gross* £		*Net* £ s.
Dividends	100	*less* tax £42 10	57 10
Building society interest	300		300 0
	400		357 10
Annuity paid	500	*less* tax £212 10	287 10
Section 170 assessment on	100	Balance of net income	70 0

There is thus further liability to income tax on £100 at 8/6= £42 10s. 0d.

Instead of the other beneficiaries getting £70 net, they will get only £27 10s. 0d.

Had the old practice still been in force, the position would have been:

	£	s.	d.
Dividends	100	0	0
B.S.I. grossed	521	14	9
	621	14	9
Annuity	500	0	0
Available for other beneficiaries	121	14	9
Less Income tax	51	14	9
	70	0	0

Nowadays, liability to tax depends on the true nature of the payment in

the hands of the recipient, irrespective of what it might have been in the hands of the trustees. If, therefore, the £27 10s. 0d. is paid to a life tenant, it seems that income tax must be deducted and paid over to the Revenue under Section 170. (See *Brodie's Will Trustees* v. *C.I.R.* [1933] 17 T.C. 432; *Milne's Exors.* v. *C.I.R.* [1956] 37 T.C. 10, and other cases). It appears that the same result would follow if the amount were payable to a remainderman, since it is not part of the capital of the estate.

The Housekeeper Allowance

The deduction of £60 commonly referred to as the "housekeeper allowance" is allowed to an individual in three separate sets of circumstances.

(1) A widow or widower may claim the deduction for any female relative of his or of his deceased wife resident with him (i.e. sleeping on the premises) to look after any child of his for whom he gets the child allowance, or as housekeeper; or if no relative is available and willing, some other female employed by him for such a purpose. If the housekeeper is a relative, anyone entitled to any allowance for her must have relinquished the claim. This housekeeper allowance cannot be claimed in any year in which the claimant gets the personal allowance as a married man.

(2) A married man whose wife throughout the year of assessment was totally incapacitated by physical or mental infirmity can claim the deduction for a female resident with and maintained or employed by him for the purpose of having the charge and care of a child resident with the claimant for whom he gets the child allowance. It is a condition that no other person is claiming allowance for the same female. A single woman can get the allowance under similar conditions provided she is either incapacitated, as above, or is in full-time employment or engaged full-time in a trade, profession or employment.

(3) A single man or woman can have the relief for a female relative (including his mother if widowed or separated from her husband) living with him to look after any brother or sister for whom he gets the child allowance. Here again, nobody else must be claiming relief for the same relative.

Underlying Tax—

It is hardly surprising that most people have difficulty in understanding double taxation relief, particularly where there is underlying tax. This term is used to denote the tax already borne by the paying company on the profits out of which a dividend has been paid. It may more readily be understood by beginning behind the dividend.

Suppose a colonial company has been charged to tax as follows (currency converted into sterling):

Colonial tax on the profits of £80,000 at 5/– in the £ (the underlying tax	£20,000
Non-residents' tax on dividends declared at 1/6 in the £ £30,000 at 1/6 (deducted from the dividend)	£2,250

That would mean that a stockholder receiving a dividend of 10 per cent. on a holding of £6,000 stock would have borne colonial tax of £245 on a true gross dividend of £800, a rate of 6s. 1.5d. in the £:

	£
To pay the gross dividend of £600 the company had to make profits of	800
On which it paid 5/– in the £ ..	200
Dividends declared	600
Less Non-residents' tax at 1/6 in £	45
If dividend were paid direct the stockholder would receive ..	555

If the stockholder is resident in the United Kingdom (U.K.) he will be entitled to double taxation relief at the colonial rate or at his appropriate U.K. rate, whichever is the lower.

In arriving at his appropriate rate, the tax payable on his total income before deducting life assurance relief is divided by the total income. For this purpose the underlying tax is ignored.

The computation may proceed:

	£	£
Colonial dividend ..		600
Other income (£1,800 earned)		3,000
		3,600
Earned income relief 2/9ths	400	
Personal	240	
Children (one 9, one 17 at university)	250	
	—	890
		2,710

	£	s.
Income tax		
First £360 at reduced rates ..	93	0
£2,350 at 8/6 in £ ..	998	15
	1,091	15
Surtax		
Total income	3,600	
Allowances (£490 – £140) ..	350	
	3,250	
£2,000	—	
500 at 2/–	50	0
500 at 2/6	62	10
250 at 3/6	43	15
	£156	5

Appropriate rate:

$$\frac{£1,091.75}{3,600}+\frac{£156.25}{3,600}=7s.\ 0d.$$

(fractions of 1d. are given in favour of the taxpayer).

Since the colonial rate is lower, relief is given as follows:

		£	s.
Colonial dividend—true gross		800	
Other income		3,000	
		3,800	
Allowances as above	£890		
Life assurance relief	40		
	—	930	
		2,870	
Income tax			
£360 at reduced rates ..		93	0
£2,510 at 8/6 in £		1,066	15
		1,159	15
Less Double taxation relief		245	0
Tax payable		914	15
Surtax			
As above		156	5
Add £200 (the underlying tax) at 3/6		35	0
Tax payable		£191	5

Had the U.K. appropriate rate been less than the colonial rate, the dividend of £555 net would have been grossed for the last computation

at the U.K. rate, so as to deduct the unrelieved tax from the gross dividend. For example, had the U.K. rate been 5/–, the gross dividend would have been £555$\times\frac{20}{15}$=£740 and the tax credit £740 — £555= £185.

The unrelieved tax £245 — £185= £60 is thus automatically deducted from the true gross dividend of £800, leaving the £740 on which credit is given.

—and Paying Agents

Should such a dividend be paid to a U.K. resident through a paying agent, he will have to deduct U.K. tax, but will usually be authorised to pass on provisional relief. This relief will never exceed half the standard rate, i.e. at present 4s. 3d. in the £. The provisional gross for this purpose is £555$\times\frac{20}{15\frac{3}{4}}$=£704 15s. 3d. The dividend becomes:

	£	s.	d.
Declared	600	0	0
Non-residents' tax	45	0	0
	555	0	0
Less U.K. tax on the provisional gross of £704 15s. 3d. at 4/3 in the £ ..	149	15	3
Net dividend	405	4	9

The £405 4s. 9d. is £704 15s. 3d. less tax at 8/6 in the £, of which half is colonial tax.

The dividend voucher normally gives only the net dividend paid and a statement as follows (we do not go beyond one decimal point—but the statements often do).

	Per share s.	d.
Amount of dividend declared ..	2	0
Less Non-residents' tax at 1/6 in the £		1.8
	1	10.2
Less United Kingdom income tax at 4/3 in the £ on the gross amount of dividend of 2/4.2d.		6.0
	1	4.2

The more helpful companies also include a table to facilitate the ascertainment of the amount to be returned—in this case, the £704 15s. 3d.

Cross-reference

One of the difficulties of following the Acts is the habit of legislation by cross-reference. Take as examples the provisions of the Finance Act, 1957, regarding Overseas Trade Corporations. Paragraph 11 of the fifth Schedule says: . . . "relevant distribution" in relation to a company means—

(*a*) . . .

(*b*) a grant or loan made by the company, being a grant or loan to which paragraph 1 or paragraph 2 of the Sixth Schedule to this Act applies, or

(*c*) . . ."

Reference to paragraph 1(1) of the Sixth Schedule shows—

"Where a company . . . makes a grant or loan to an associated person, and the grant or loan is, under the provisions of the fifth Schedule to this Act, to be regarded as paid . . . out of exempt trading income—

(*a*) . . .

(*b*) . . .

(*c*) where the grant or loan is made at a time when the company is an Overseas Trade Corporation—

(i) Sub-Section (2) of Section twenty-six of this Act shall apply . . ."

Lunch Vouchers

It is reported from Nottingham that the use of office workers' free (and tax-free) lunch vouchers to obtain chocolates and sweets is being investigated by the Inland Revenue officials. There have been reports that, instead of buying food for their lunch, office girls are exchanging their vouchers at snack bars and cafés for boxes of chocolates and sweets, some of which they sell to their friends. They are even said to barter their tickets for large slabs of fruit cake which they take home for the family table, relying on their home-made sandwiches for lunch. Apparently the vouchers range up to 4s. each. As an assistant in a Nottingham snack bar said, girls can hardly be forced to eat apple pies, sponge cakes, chocolate rolls and slabs of cake on the premises.

An Inland Revenue official is reported to have said that there can be no official comment at this stage. The essential point seems to be whether the Revenue could establish that the vouchers, if exchanged in the way alleged, are a convertible benefit, taxable under Schedule E.

Surtax Without the Umbrella

Readers have been asking whether some guidance could be given on the practice of the Special Commissioners in respect of accounting periods ended after August 1, 1957, where, instead of making a direction, the Commissioners accept the declaration of an appropriate dividend. While in normal cases under the original concession ("the umbrella") it appears to have been the custom of the Special Commissioners to regard 30 per cent. of the "commercial profit" as the right net dividend unless there were proper reasons for retaining the funds—for example, because of expansion, new assets, bank overdraft and so on—it seems that they are likely to regard a higher dividend as necessary today.

In the case of a company which has accumulated profits which have not been ploughed back into the business—that is, they are represented by spare investments, liquid resources, etc.—it appears from recent discussions of cases that about one-third of the "commercial profit" would be expected to be paid away in dividend.

If profits have been ploughed back, however, a lower percentage, perhaps about 28½ per cent., may be appropriate.

Cognisance has to be taken of the present rates of profit tax compared with previous rates.

There are many cases where it is quite proper not to pay any dividend. What has to be looked at is the position as considered by the directors when recommending the dividend and all the surrounding

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Tax subjects dealt with in Professional Notes this month are Tax Reform from the Left of the Right *and* the In-tray Ploy.

factors. In what has been said above the term "commercial profit" is taken to mean the profit of the year less the amounts set aside for taxation and amounts properly written off in the appropriation account.

Any accountant who is in doubt in a particular case should submit the facts to the Special Commissioners, who are always willing to discuss the position. The experience of readers would be welcome, so that this may be passed on to others and keep all abreast with developments.

Marginal Relief on Estate Duty

In the last illustration on page 128 of our issue of March, 1958, the estate duty payable on the agricultural value should be £9,900 (33 per cent. of £30,000), making the total estate duty payable £118,400.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Transfer of assets abroad—Company incorporated abroad by appellant—Allotment of shares in company to appellant—Securities sold by appellant to company—Price left outstanding—Subsequent issue of shares in foreign company to appellant in satisfaction—Settlement of shares so received on trusts of foreign settlement—Further shares acquired by foreign company by borrowing from bank—Interest-free loan by appellant to foreign company—Loan used by foreign company to purchase additional securities—Release by appellant of foreign company's obligation to repay loan—Whether right to repayment of loan connected with transfer of assets or bank charge secured on those assets—Whether loan to foreign company an associated operation—Income Tax Act, 1952, Section 412.

The case **Fynn v. C.I.R.** (Ch. December 11, 1957, T.R. 323) was the subject of a leading article in the last issue of ACCOUNTANCY (pages 130–2). It was not disputed upon behalf of the appellant that the scheme in the case was one of tax avoidance; and the only question was whether it had succeeded in finding a loophole in the provisions now contained in Section 412 of the Income Tax Act, 1952. The declared intention of this Section is to prevent avoidance of liability to income tax by persons ordinarily resident in the United Kingdom by means of transfers which result in income becoming payable to persons resident or domiciled out of the United Kingdom. In the normal course, officials and legal draftsmen try to conceive every method or device whereby this intention may be thwarted, and the degree of success attained will usually be indicated by the volume of supplementary legislation found necessary. The original enactment, Section 18 of the Finance Act, 1936, was substantially amended by Section 28 of the Finance Act, 1938, and in Section 412 of the Income Tax Act, 1952, the two earlier Sections were substantially re-enacted. The appeals in the present case were against assessments for 1951/52 and 1952/53, but the judgment of Upjohn, J., does not mention their amounts.

In 1947, the appellant caused Crescent Investments Ltd. to be incorporated in Eire and certain shares in the company were issued to him. In March, 1948, he sold securities worth some £35,000 to Crescent, the amount due to him on the sale being left outstanding. In 1949, 25,000 shares in Crescent were issued to the appellant in satisfaction of his debt, and in the same year he settled his shares in Crescent by a settlement governed in all respects by the law of Eire. At a later date, Crescent bought additional shares in the open market, and these were financed by bank overdraft secured by a charge on the transferred assets. In 1951, Crescent held investments worth some £81,000 and had a bank overdraft limited to £35,000 secured on the transferred assets, which amounted to £33,000. In January, 1952, the appellant lent £12,000 to Crescent on unsecured loan free of interest, and caused this amount to be paid to the company's bankers. The immediate effect was to reduce Crescent's overdraft; but the Special Commissioners had stated that although the overdraft was near the limit there was no evidence of pressure from the bank, and the loan had enabled Crescent to make further purchases of investments. Upjohn, J., said that the inference he drew was that Crescent cou ld have withdrawn that £12,000 forthwith and used it for any purpose it cared to do. In March, 1954, the appellant had released Crescent from its obligation to repay, so increasing the value of the settled shares by the like amount.

Applying the provisions of Section 412 to the £12,000 loan, the Special Commissioners had held that the charging of the securities transferred in 1948 to Crescent's bankers was an "associated operation"; and this finding was not disputed. They had, however, gone on to hold that the January, 1952, loan of £12,000 to Crescent entitled the appellant to receive a capital sum the payment whereof was connected with the said associated operation, and they had based this conclusion on their findings that the loan itself was connected with the charge securing Crescent's overdraft and that the fact that no capital sum was ever paid or ever would be paid was immaterial. Upjohn, J., reversed the Special Commissioners' decision. He said he could see no connection whatever between the charge of the transferred assets upon the one hand and either the lending of the money or the right to repayment on the other. The loan was, he said, made to the company as an interest-free unsecured loan and the company could have used it in any way it pleased. As, *prima facie*, the case reveals a method of avoiding the mischief of Section 412, it may be expected to go further.

Income Tax

Trade—Balancing charge—Two aircraft let on hire to company—Destruction of one aircraft—Whether trade permanently discontinued at or after the destruction—Income Tax Act, 1945, Section 17.

The general principle of the balancing charges and allowances as affecting machinery and plant introduced into income tax law by the Income Tax Act, 1945, was extremely simple. If the capital allowances given under Rule 6 of Cases I and II of Schedule D on machinery and plant should by experience be proved to have been excessive

then, subject to limits laid down, there was to be made a balancing charge. If, upon the other hand, the allowances given should be proved to have been inadequate, then there was to be given a balancing allowance. By Section 17 (1) these provisions were, however, limited to four classes of events, and the third class (*c*) was where "the machinery or plant is destroyed." An additional and most important limitation was that the application of each of the four classes was contingent upon the event occurring "before the trade is permanently discontinued." In view of the number of cases where the time of permanent discontinuance is a moot point, it is surprising that those responsible for Section 17 did not anticipate the unfortunate consequences ultimately dealt with by the Sixth Schedule to the Finance Act, 1952.

In **Bennett *v.* Rowse** (Ch. December, 1957, T.R. 337), the sole question was when a trade was permanently discontinued. In 1950, the appellant, Air Vice-Marshal Bennett, owned two Tudor V aircraft which had been hired to a company, Fairlight Ltd., formed and controlled by him. At about 3.20 p.m. on March 12, 1950, one of the aircraft returning from a charter flight to Eire had crashed near Belfast. Notified of the disaster by telephone, the appellant had acted with much promptitude. He had given instructions to his wife, a director, and to the administrative manager of Fairlight Ltd. to ground the other aircraft—which, as a matter of fact, was at the time under repair at the Langley aerodrome of the Hawker Aircraft company—and had directed that these instructions should be confirmed in writing. In addition, on March 12—the day of the disaster—by a letter addressed to the secretary of Fairlight Ltd., not signed until the appellant's return upon March 13, he had declared that, with effect from March 12, 1950, he had ceased to hire to that company the two Tudor aircraft. Having given these instructions, the appellant had immediately left for the scene of the disaster, returning on March 13, the following day.

It appears from the judgment that the appellant did not use the aircraft for a general hiring. There was but one hiring between himself and Fairlight Ltd. and that was of quite informal character. The issue was whether the appellant's trade of hiring out aircraft was permanently discontinued *at* or *after* the disaster. It was conceded that this had happened shortly thereafter. The appellant had received some £38,000 from an insurance company, and his appeal was against a balancing charge of £21,000 for the year 1949/50. On appeal, the General Commissioners had found on the facts that permanent discontinuance of the trade did not happen at the time of the crash but at some time thereafter, and Upjohn, J., had upheld their decision as a finding which the General Commissioners could come to after reviewing all the facts. The appellant had argued that continuance of the trade had become physically impossible; but Upjohn, J., said that for permanent discontinuance of a trade there were two elements to be considered, first, discontinuance in fact and, secondly, an element of intention to discontinue. Appellant might have used the insurance money in purchasing another aircraft and, as had been mentioned in argument, on the destruction of a man's warehouse and all his plant he might there and then decide either to discontinue or to use the insurance moneys to rebuild and continue his trade.

To the present writer, looking at the facts, it would seem that the only question to be answered was whether at the moment of the crash the appellant's trade was automatically permanently discontinued, and that any acts done by the appellant thereafter were irrelevant to this question. On this single point, the opinion of the ordinary businessman would seem to be as good as anybody's. Accepting the general principle underlying balancing charges, the result of the case would seem to be not inequitable apart from one possibility stressed by Upjohn, J. The Revenue, he said, had waited for five years before raising the matter; and such delay might well be a source of serious embarrassment and great hardship to the taxpayer. There is, however, nothing in the report to indicate any waiting by the Revenue after it had become cognisant of the facts—although, of course, there may have been.

Estate Duty

Settlement by will—Duty on death of successive tenants for life—Legacies payable out of residue "Free of duty"—Whether liable to estate duty—Finance Act, 1894, Sections 8 (4), 9 (1), 14 (1)—Finance Act, 1949, Section 27.

In re McNeill (Deceased) (C.A. October 29, 1957, T.R. 313) arose out of clause 14 of the will of Neil McNeil, who died in 1935, whereby the testator directed his executor and trustee to hold the residue of his estate upon certain trusts. The trustee was directed to divide the trust estate into two halves. By sub-clause 14 (1), the income of one-half was to be paid to his brother, Alexander, "during his life free of duty," and after his death to pay the income to his sister, Eila, "during her life free of duty." Subject to these life interests—Eila did survive Alexander—the trustee was directed to pay "free of duty" pecuniary legacies aggregating £53,000 and, subject thereto "and to the duty thereon," to divide the half of the trust estate equally between certain named relatives. By sub-clause 14 (2) the testator made provisions regarding the other half of the trust estate corresponding in all respects to the provision in sub-clause 14 (1), save that the life interests of Alexander and Eila were reversed in order, and so that the legatees received additional legacies of like amount to those already given—Alexander had died in 1947 and Eila in 1956.

Estate duty became payable on Alexander's half at his death and on both halves at the death of Eila. The pecuniary legacies above-mentioned became payable on the death of Eila, and the first question was whether in view of the terms of the will "free of duty" included estate duty as well as legacy duty, which was in existence both when the will was made and at the time of deceased's death. Romer, L.J., giving the judgment of the Court, said that the phrase did not.

The question next to be considered, he said, was the liability of the legatees in respect of estate duty leviable on the death of Alexander in 1947 and the further estate duty payable on Eila's death in 1956. Upjohn, J., had held that the pecuniary legacies payable out of Alexander's fund ought to be subjected to deduction of a rateable proportion of the two sets of estate duty payable on the deaths of Alexander and of Eila. The appellant, in her notice of appeal—she had been appointed by order of Upjohn, J., to represent all the pecuniary legatees—had, however, not raised the point that if the words "free of duty" had the limited meaning attributed to them by Upjohn, J., the pecuniary legatees were at all events not liable to any part of the estate duty payable upon the death of Alexander. The Court, said Romer, L.J., had, however, given leave for the notice of appeal to be amended in order for the point to be argued, and, as a result, in its judgment it could not be said that the pecuniary legatees were liable to estate duty under any of the provisions of the Finance Act, 1894; and the Court was also unable to accept the contention that on equitable grounds the

pecuniary legatees should bear their rateable proportion of estate duty every time a charge of duty became payable. There was, in the opinion of the Court, no equitable principle which justified or required that the pecuniary legatees under clause 14 (1) should be charged with any portion of the relevant duty on Alexander's death; and, in the absence of statutory provision and testamentary intention imposing liability, the pecuniary legatees were immune, and the appeal was allowed upon the point. Leave was given to appeal to the House of Lords.

Stamp Duties

(1) *Gray and Randolph* (*Hunter's Nominees*) v. *C.I.R.* (Ch. December 3, 1957, T.R. 293).

Voluntary disposition—Declaration of trust—Transfer of shares to nominees—Oral direction to nominees to hold shares upon trusts of settlements—Subsequent declarations by nominees as trustees of their so holding—Whether ad valorem *duty payable—Statute of Frauds, 1677, Section 9—Finance (1909–10) Act, 1910, Section 74—Law of Property Act, 1925, Section 53.*

(2) *Oughtred* v. *C.I.R.* (Ch. December 3, 1957, T.R. 289).

Deed of transfer of shares—Tenant for life of shares under settlement—Son absolutely and indefeasibly entitled to shares subject to mother's life interest—Oral agreement for release by son of interest in settlement in exchange for shares owned by mother—Subsequent release of trustees by deed—Whether deed to be stamped ad valorem*—Where stamp duty repayable whether interest payable theron—Stamp Act, 1891, Section 54—Law of Property Act, 1927, Section 53—Law Reform (Miscellaneous Provisions) Act, 1934, Sections 3, 4.*

There has always been a large element of what is called "voluntary taxation" about the stamp duties payable where transfers of property rights are made by means of documents; and there is nothing unethical involved in methods of circumvention. Documents that the law clearly requires to be stamped *ad valorem* are so stamped for the simple reason that unless and until this is done they have no evidential value. As a consequence such stamp duties have from the fiscal standpoint the great merit of being "self-collecting," the taxpayer seeking the collector and not the other way round. Nevertheless, owing to the nature of the tax, whether *ad valorem* stamp duty is payable or not must depend upon statutory provisions, and where the amount of duty payable varies according to the method employed the method carrying the least liability will inevitably be preferred.

The transfer of investments to nominees which has been so marked a feature of recent years affords facilities for avoidance of stamp duties on transfers of the equitable ownership; and it is possible that the Revenue would not have taken to the Courts the two cases being considered unless, in the event of final defeat, it intended to obtain legislation to stop a dangerous form of such avoidance. It is to be noted that in both of the cases certain formalities were observed. Whether they are generally would seem to depend upon the attitude of the nominees holding the legal estate in the shares.

In **Gray and Randolph (Hunter's Nominees) v. C.I.R.,** the appellants appealed against an assessment by the respondents in respect of six declarations of trust, all dated March 25, 1955, upon the footing that they were voluntary dispositions within the meaning of Section 74 of the Finance (1909–10) Act, 1910, and so subject to *ad valorem* duty. The case came before Upjohn, J., who rejected the contention of the Revenue and found the documents in question to be subject only to the fixed 10s. duty. A Mr. Hunter had in 1949 made five settlements of property, one upon each of his five young grandchildren, and in 1950 he had made a sixth settlement of like nature. On February 1, 1955, he had transferred to the appellants as his nominees 18,000 Ordinary shares of £1 in a company and on February 18 at the offices of the company he had, in substance, orally and irrevocably directed the appellants thenceforth to hold the said shares in six separate blocks of 3,000 shares upon the trusts of the six settlements before mentioned and to the entire exclusion of himself from all interest in them. Five weeks later, on March 25, the appellants as trustees had executed six declarations of trust, all in the same form and each reciting the antecedent facts and the acceptance by the appellants of the trusts reposed in them by Mr. Hunter.

The operative part of each deed was to the effect that the appellants acknowledged and declared that as from February 18, 1955, they were holding the said shares and the income thereof upon the trusts of the original settlements and that they were to be additions to and one with the original trust funds. The appellants' claim was that, upon the oral directions given by Mr. Hunter on February 18, his equitable interest in the shares passed from him and vested as to each block of shares upon the trusts declared by the 1949 and 1950 settlements. It was argued that the trusts were then completely declared and that nothing then remained to be done, with the consequence that as no property passed by virtue of the declarations made on March 25, 1955, there was nothing to be stamped *ad valorem.* The counter-argument by the Revenue was that nothing passed by the February 18 declarations because if an equitable owner gave directions to trustees as to trusts concerning the equitable interest, that amounted to an equitable assignment and, by virtue of Section 53 of the Law of Property Act, 1925, such had to be in writing. It was conceded by the appellant trustees that, if this was so, the subsequent declarations of March 25 did pass the equitable interests and *ad valorem* duty was payable under Section 74 of the Finance (1909–10) Act, 1910. Alternatively, it was contended for the Revenue that the oral declarations of February 18 and the subsequent deeds of March 25 must be taken and read together as being in effect all one transaction, with the declarations stamped *ad valorem* as the final documents (see *Cohen and Moore* v. *C.I.R.* (1937, 2 K.B. 126; 12 A.T.C. 73)).

As regards this alternative contention, Upjohn, J., said it was primarily a question of fact and he did not decide whether without further evidence the Commissioners could properly have drawn the inference that the oral and written declarations, separated by five weeks, were in effect all one transaction as had been found to be so in the case referred to. Apparently, they had not done so, and, doubting whether in the absence of such a finding of fact it was open to him to draw such inference, he did not think he ought to do so. Unlike in *Cohen* v. *Moore*, there was, he said, no evidence that the six declarations of March 25 were in draft at the time of the oral declarations on February 18, and it was at least possible that they were the result of second thoughts.

Turning to the main point of the case, his Lordship said that by Section 9 of the Statute of Frauds, 1677, repealed and replaced by Section 53 (1) (c) of the Law of Property Act, 1925, all "grants and assignments" of any trust had to be in writing, signed by the party granting or assigning. His observations, he said, were confined to the voluntary transfer of an equitable interest in pure personalty where the legal estate was already outstanding in nominees. As Romer, L.J., had pointed out in *Timpson's*

Exors. v. *Yerbury* (1936, 1 K.B. 645; 15 A.T.C. 1; 20 T.C. 155) transfer of an equitable interest from donor to donee might be made in three ways which may be summarised as follows:

(1) By assignment directly to the donee, or
(2) By the donor declaring *himself* to be a trustee of the interest for the donee, or
(3) By the donor directing *the trustees* to hold the whole or part of his interest upon trust for a third person,

and, continued his Lordship, whichever method was followed the result was that the equitable interest was effectually transferred. If done by the first method it must be in writing; if by the second it might be by parol; the question before him was whether the third method might be by parol.

Upjohn, J., said that it had been urged upon him that by virtue of decisions to which he was referred a direction to trustees to hold upon new trusts operated not by way of trust but by way of assignment and that such a direction *was* in fact an assignment. He, however, found himself quite unable to accept this argument inasmuch as in none of the said cases had the point he had to decide arisen. He held that the directions by Mr. Hunter were by way of trust and not by way of assignment and were not assignments for the purposes of Section 9 of the Statute of Frauds. Repealed and replaced by Section 53 (1) (*c*) of the Law of Property Act, 1925, in the latter the words "grants and assignments" had been discarded for "disposition"—"normally a word of wide import," as his Lordship observed. But, he added, if it was to include a disposition of equitable interests by way of declaration of trust then for close on thirty-two years the law had been completely altered and no one, including the well-known textbooks *Lewin* and *Underhill*, had noticed it. He, therefore, held that on February 18, 1955, the equitable interest in the shares had passed from Mr. Hunter and that there was nothing left to pass by the declarations of March 25, 1955, so that no *ad valorem* duty was payable.

Section 53 of the Law of Property Act, 1925, was again in question in **Oughtred v. C.I.R.** The appellant was tenant-for-life of 100,000 Preference shares of 10s. each and 100,000 Ordinary shares of 10s. each in a company. Subject to her life interest, appellant's son Peter was absolutely entitled to them in remainder. On June 18, 1956, mother and son agreed *orally* that the latter should exchange his reversionary interest for 28,510 Preference shares of 10s. each and 44,190 Ordinary shares of 10s. each in the company, to the intent that the appellant's life interest in the settled shares should be enlarged into absolute ownership.

On June 26, 1956, by deed of release between the appellant, Peter, and the trustees the parties of the first and second parts gave a release to the trustees and amongst the recitals of the deed, Recital (F) was as follows:

> The trust fund . . . is accordingly now held by the trustees in trust for Mrs. Oughtred absolutely . . . and it is intended that the same shall forthwith be transferred to Mrs. Oughtred or as she shall direct.

On the same day the transfer was executed. It was not in dispute that the transfer operated to convey the legal estate in the settled shares from the trustees to the appellant and that as such it must bear a 10s. stamp. The Revenue, however, had claimed that the deed had to be stamped *ad valorem* with the value of Peter's reversionary interest which he had orally agreed to sell to his mother on June 18, and on that footing had exacted stamp duty of £663 10s. The appellant's appeal came before Upjohn, J., on December 3, 1957, immediately after he had given his judgment in *Hunter's* case; and he held that the claim of the Revenue failed.

The principal argument in support of the *ad valorem* claim was, he said, that the agreement of exchange was for present purposes conceded on both sides to be on all fours with an agreement of purchase and sale for a money consideration. It was oral and, therefore, having regard to Section 53 (1) (*c*) of the Law of Property Act, 1925, no equitable interest passed thereby to the appellant. As a consequence, the recital in (F) in the deed of release, quoted above, that the trust fund was "accordingly now held by the trustees for Mrs. Oughtred absolutely" was incorrect and, therefore, Peter's equitable interest in the reversion passed on the transfer and was a conveyance on sale to be stamped *ad valorem*. His Lordship held that a complete answer to the contention of the Revenue had been provided for the appellant. By Section 53 (2) of the Act the Section was not to apply, *inter alia*, to constructive trusts. The oral agreement of June 18, 1956, was one for value and Peter, therefore, became a constructive trustee of his reversionary interest for the appellant. An agreement of sale and purchase of an equitable interest in personality (other than chattels real) might, he said, be made orally; and Section 53 had no application to a trust arising by operation of law. In *Hunter's* case he had pointed out that one method of transferring equitable estates was by the transferor declaring himself a trustee for the transferee, and the same result he held to follow when the transferor became a trustee by operation of law. The recital in the deed of release quoted above was, he held, in fact correct, for the exchange consideration was executed contemporaneously and nothing passed under the transfer but the legal estate.

A final argument for the Revenue was that even if the deed of transfer passed nothing but the legal estate, nevertheless, it was a "conveyance on sale" within this term as defined by Section 54 of the Stamp Act, 1891, the contention being that the appellant became owner by virtue of the deed of transfer which was a transfer on the sale. After examining this argument, his Lordship rejected it and summed up his conclusion as follows: "The transfer was in my judgment a transfer not on sale but on the winding up of the trust and upon the release of the trustees."

After discussion, no order was made for interest upon the *ad valorem* duty found to be repayable, there being no provision therefor in the Stamp Act, 1891.

Tax Cases—Advance Notes

COURT OF APPEAL (Jenkins, Romer and Ormerod, L.JJ.).

C.I.R. v. Whitworth Park Coal Co. Ltd., etc. March 12, 1958.

Their Lordships unanimously dismissed the appeal by the company from a decision of Harman, J., but differed from the learned judge on the method of charging the sums involved. (See ACCOUNTANCY for January, 1958, page 27.)

The Court held that, apart from the question whether Rule 1 (*a*) of Case III of Schedule D (now Income Tax Act, 1952, Section 123) and Rule 21 of the General Rules (now Section 170 of the 1952 Act) have any application where the

payer is a Minister of the Crown, the revenue payments received by the company under the Coal Acts of 1946 and 1949 would be taxable as annual payments under Rule 1 (*a*) and Rule 21 as above, whereas the payments of interim income received by the company under Section 22 (2) (*a*) of the 1946 Coal Act were taxable under Case VI of Schedule D.

The Court decided that the payments *prima facie* chargeable under Case III were excluded from that Case by the circumstance that the payer was the Crown represented by one of H.M. Ministers. They fell to be charged under Case VI.

The final question to be decided was whether the payments, as contended by the Crown, were taxable as income of the years in which they were received or, as contended by the taxpayer, were to be treated as accruing from day to day over the period in respect of which they were paid, the amount attributable for tax purposes to each of the three years under appeal being ascertained on that footing. The Court adopted the Crown's contention.

CHANCERY DIVISION (Vaisey, J.).
Wright *v.* Boyce. March 6, 1958.

W. was employed by the Master of a hunt as huntsman. No mention of tips was made in his oral contract of service. It is the custom of the hunt for members and supporters to give the huntsman gifts in cash or in kind at Christmas. The question for decision was whether the cash gifts received by W. were taxable. Vaisey, J., held that the sums were taxable as emoluments of W.'s office.

Lamport & Holt Line Ltd. *v.* Langwell. March 6, 1958.

L., the appellant company, which was a shipowner, sold 75,000 £1 shares to C. The terms of the written agreement under which the shares were sold were, *inter alia*, that C. would pay to L. (*a*) 2s. 6d. per share plus (*b*) a share of certain commissions received by C. from oil companies plus (*c*) other sums.

Payments under (*b*) were to continue until, with the payments under (*a*) and (*c*), the total equalled the total par value of the shares.

Vaisey, J., held that the nature of the payments under (*b*) depended on the construction of the agreement. The payments were not instalments of capital but commission which was quantified by reference to a hypothetical payment of £1 per share. Accordingly the payments were taxable under Schedule D, Case I.

Westminster Bank Ltd. (as Trustee of McCurdy, deceased) *v.* Barford. March 7, 1958.

In consideration of certain special services rendered by M. to T. Ltd. when M. was chairman of its Board of directors, T. Ltd. agreed to pay a sum of £3,000 to M., and make variable periodic payments to him or his personal representatives during a specified period. After M.'s death during the period, T. Ltd. paid to M.'s trustee the periodic sums due under the agreement without deduction of tax, deducting them from its profits as trade expenses. It was contended on behalf of the trustee that the sums received after death should not be taxed, by reason of *Purchase* v. *Stainer's Executors* (1951) 32 T.C. 367.

Vaisey, J., held that the source of income was the agreement, which "by its independent vitality generated income." The payments were annual payments chargeable under Case III of Schedule D. Section 170 of the Income Tax Act, 1952, applied to them and an assessment could be made on the trustee.

Sabine *v.* Lookers, Ltd. March 6, 1958.

The respondent company (L.) carried on the business of selling and servicing Austin vehicles, under an agreement with Austins, renewed from year to year. Such agreements were entered into by Austins with all their distributors. Each agreement contained a "continuity clause" which gave L. the option each year to enter into a new agreement, provided that L. was fulfilling its obligations as distributors to Austins. In 1953, Austins entered into a combine, British Motor Corporation Ltd., and wrote to L., stating that in consequence there would be a reorganisation of the areas covered by the distributors and a change in the "continuity clause." In compensation for any loss resulting from these changes, Austins agreed to pay compensation to L. over two years, by instalments.

L. did not suffer loss by the reorganisation but was paid compensation. Vaisey, J., held that the compensation payments were of a capital nature and not taxable. The change in the "continuity clause" had been expected to weaken the whole structure of L.'s trade and the payments were made for the purpose of strengthening that structure.

CHANCERY DIVISION (Danckwerts, J.).
Fry *v.* C.I.R. March 12, 1958.

By his will, Francis Fry left his residuary estate to Norah Cooke-Hurle for life, then upon trusts for her issue and in default of issue to the testator's four sons, of whom Conrad Fry was one. The testator died in 1918. Conrad Fry died in 1940, and his executors elected not to pay estate duty on his reversionary interest in a quarter of his father's estate but to postpone payment until the reversionary interest should fall into possession. In 1954, Norah Cooke-Hurle purchased the reversionary interest of Conrad from his trustees.

The Commissioners claimed estate duty on the value of Conrad's share, on the ground that his reversionary interest fell into possession in 1954. An alternative claim was made that duty was payable on the value of Conrad's share on Norah Cooke-Hurle's death. The executor of Conrad Fry claimed that estate duty was not and would not in the future be payable in respect of the reversionary interest, by reason of merger.

Danckwerts, J., held that the interest would fall into possession on the estate of Norah Cooke-Hurle on her death.

COURT OF SESSION (SECOND DIVISION) (Lord Thomson (Lord Justice Clerk), Lord Patrick, Lord Mackintosh and Lord Blades.)
Potter *v.* Lord Advocate. February 7, 1958.

The deceased wished his son to acquire 10,000 shares in a private company. On November 21, 1952, he and his son attended a directors' meeting of the company, and the son then presented a letter of application in his own name for the shares. The shares were payable in cash, and at the meeting the son also handed to the directors a crossed cheque for £10,000 drawn by his father in favour of the company. Thereupon the shares were allotted to the son. The cheque had previously been handed to the son by the father, with a letter in these terms: "I enclose cheque for £10,000 payable to G. Ltd. to enable you to purchase 10,000 shares of £1 each in G. Ltd."

The father died within five years of the above transaction. The question at issue was what was deemed to pass on the death of the deceased under Finance Act, 1894, Section 2 (1) (*c*)—the money or the shares? At the date of the deceased's death the shares were worth only £6,100.

The Court (Lord Blades dissenting) held, in favour of the Crown, that the money was the subject of the gift and accordingly was deemed to pass.

The Month in the City

One Per Cent. Down

The event of March was the reduction in Bank Rate to 6 per cent. in a single step of a whole point. The prospect of an early reduction had been freely discussed for some weeks, but usually in terms of two steps of a half-point each. As is usual the decline took place when the market had lost its first interest in the topic, but the fall had been largely discounted in the Funds and even to a large extent in bill rates and "shorts." In the event all those rates that are tied to Bank Rate naturally fell by the full point, but the drop in the Treasury bill rate was only half as much and of a rise of rather over half a point in the Government securities index the bulk had been lost before a week was out. It is to be noted that there was very little alteration in the prices at which the 3½ and 5½ per cent. Funding stocks were being placed on tap by the Departments. One reason, apart from the fact that the decline had been discounted, why the rise in the Funds was so small was renewed talk of yet another Government issue, but some of the irredeemables rose steadily, if slowly, despite these hindrances. The immediate effect of the drop in Bank Rate was much greater on industrial equities than on any class of fixed interest stock—probably because of the belief that whatever the authorities said, the lower rate did really mean relaxation of the credit squeeze. Actually no official statement accompanied the cut and no statement whatever came from Whitehall or Westminster until the Chancellor spoke over the week-end. Enquiries at the Bank of England, however, elicited the firm statement that the change was a purely technical adjustment to an existing position. The actual choice of date seems to have been dictated, at least in part, by the fact that the gilt-edged market had been very idle and that the authorities wished at all costs to avoid the suggestion of a further leak. Strange as it may seem this explanation appears to be as nearly official as may be.

Fears of Depression

Opinion in the stock market on the morrow of the reduction was that rates obtainable for short money were now much closer to the returns to be had on long-term investment, a conjuncture that should encourage the return of money to the market. What in fact seems to be required is that short rates shall fall further but that long rates shall be kept up, so that more genuine savings will be available for the finance of fixed capital formation. Not only the wider differential in rates, however, but also a restoration of confidence, will be needed to induce people to be less liquid. Two factors still stand in the way of a confident psychology in business—uncertainty about wage rates and the fear of a world recession. The change which has occurred recently is that the second factor has become more potent than the first. Nonetheless, it was largely fears of wage inflation that caused the drop of a full point to receive a rather bad Press, and it was no bad thing that on the following Wednesday the Governor of the Bank took the opportunity to emphasise the technical character of the change and to point out that if people persist in considering changes in the Bank Rate as indications of alterations in policy the efficacy of the instrument will be diminished. In defence of the public it is, however, only fair to say that post-war governments have tended to use Bank Rate only as a last resort. What is now required is that Bank Rate shall be altered without formality as and when it seems desirable, so that we have a really flexible system. Meanwhile, gold reserves have continued to flow in; sterling has been reasonably stable near the higher level recently attained; and money rates, at least in the United States, continue to fall. There is much talk of further stimulatory action there and much evidence that recession is moving towards depression. Wall Street has been still gloomier, and stock prices in this country have been affected by the gloom. These and other factors are reflected in the following changes in the indices, compiled by the *Financial Times* between February 28 and March 31: Government securities from 81.15 to 81.53; fixed interest from 88.93 to 88.99, industrial Ordinary from 155.9 to 164.5 and gold mines from 75.6 to 75.1.

Two Debenture Issues

March was not marked by any really large new issue, although calls on old ones had to be met. Two offers of interest were one of £8 million Convertible 6 per cent. Second Debenture by *South Durham* at 95 and a £3½ million 6 per cent. First Mortgage Debenture 1979–82 of the *Land Securities Investment Trust* offered at 96½. The South Durham debenture appeared on the eve of the Bank Rate cut and 92½ per cent. of the total was left with the underwriters. The Land Securities debenture on the following day was covered some fourteen times by applications from existing shareholders and the public. The difference in the two results is perhaps intelligible, but the fact that South Durham went to a discount of 3½ points, while the other immediately established a premium, suggests that the public at large is so scared of possible renationalisation of the steel industry that they will not even take debentures which are well secured except at yields well above those obtainable elsewhere.

Insuring Against the Atom

Since our note last month (page 141) the outcome of the international Atomic Energy Insurance Conference has been published. It shows that much progress has been made. The conference, which was sponsored by British insurers, consisting—not only of Lloyd's underwriters as we stated last month but also of companies—was attended by delegates from atomic insurance pools of fourteen other countries. It was decided that the material damage risks to be pooled should be comprehensive cover for damage to property of the policyholder, contamination by radioactivity, and damage to other property of the same policyholder caused by contamination from his installation. No separate insurance for damage to atomic reactors for nuclear risks only would be granted. A similar agreement was reached with regard to insurance of third party liabilities. It was agreed to set up a committee, to meet later this month in Paris, to consider (1) hazards, evaluations and surveys, (2) bases of premium rating, and (3) policy cover to be offered. All countries endorsed the principle that all liability shall be channelled through the reactor owner. The British Government has already accepted this principle and has laid down that the owner shall be required to insure to a sum of £5 million or show that he has liquid assets available to that amount. At present it will not be possible in some countries to channel the liability through the owner and in these countries individual policies will have to be offered to contractors. It was agreed that legislation will be required to deal with the general subject of liability and that as far as possible it should be

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harmonised between the various countries; O.E.E.C. and the *Comité des Assurances* will continue to deal with the question.

Stock Exchange Statistics

The annual publication of statistics on securities quoted on the London stock exchange shows that the total of interest and dividends rose by 4 per cent. last year above the 1956 figure to £1,369 million. The nominal value of the securities rose by almost £300 million to £26,605 million and the market value by £1,020 million to £28,443 million. The rise in market value was caused entirely by appreciation of or additions to Ordinary capital. The Stock Exchange hazard the statement that of the gross total of dividends and interest not more than £500 million can possibly reach the pool of personally disposable income. The figures given above for market values are for the year to end-June only. For the whole of 1957, all securities fell by £1,500 million or if new issues during the year are excluded—a more valuable indication—by £1,200 million, of which just over two-thirds was in fixed interest stocks and the remainder in equities. Since the total of equities makes up something like 37 per cent. of the aggregate, at market values, it will be seen that there was not much difference in the percentage fall between the two groups. Despite all the statistics it is difficult to extract any very valuable conclusions from the publication, and it seems a pity that when the Council of the Exchange is prepared to take so much trouble it does not go rather further, by seeking more information especially from its members. In particular, one wonders whether there is any good reason why figures of the turnover of stocks should not be supplied, if not daily, at least at regular intervals.

Points From Published Accounts

"Profit Retained in Business"

Colour is used to great effect in the latest accounts of *B. Elliott*. An original approach is adopted in setting out the latest figures in profit and loss account and balance sheet in panels of white in a biscuit-coloured setting. Attention is thus effectively focused upon the latest figures. The general information appended to these accounts, in both graphical and pictorial form, is also of a high order. From a strictly accounting point of view, the main feature is the elimination of all "reserve" items in the balance sheet. After deducting dividends, the residue of the profit is transferred straight into the balance sheet in a single item, "profit retained in business."

First-rate Review by a Private Company

Solartron is a privately-owned concern, and the accounts are not for general distribution. However, the company does publish an annual review. The review is a veritable object lesson for companies wishing to improve their public relations at all levels. The improvement which has taken place in the attitude of most companies over the presentation of information for shareholders and others has been most noticeable in recent years, but there is still much to be done, particularly in the annual accounts. Solartron brings a refreshingly vigorous approach to this important topic, believing that "We have a *duty* to be well-known and well understood." The plain fact is that all businesses have such a duty, and the publication of the accounts provides each year a valuable opportunity for recognising the obligation. The more this fact becomes recognised, the more one is likely to see developments in the presentation of accounts. Now that the trend towards better and brighter accounts has been firmly in evidence for some while it has become particularly noticeable that some companies, having presented a new layout a year or two ago, continue to use it without any further attempt at improvement. Happily, others are continually experimenting and making detailed changes for the better.

Possible Liability to Profits Tax in the Future

The accounts of *Charles Roberts* take the acknowledgment of profits tax liability to a much more advanced state than is usually met with.

Many companies prefer to ignore the future liability to pay 27 per cent. tax on any retained profits that may later be distributed. Others content themselves with a note on the accounts to the effect that there may arise a liability in the future. Still others amplify the note by giving the total accumulated under this heading to date. Charles Roberts deals with the matter like this in the profit and loss account:

	£	£
Provision for taxation on the profit for the year:		
Income tax ..	159,875	
Profits tax	76,685	
Future liability to profits tax on undistributed profits ..	18,040	
		254,600
Profit of the group for the year ..		118,693

And like this in the consolidated balance sheet:

	£	£
Amounts set aside:		
Provision for deferred repairs ..	37,000	
Provision for pensions	50,000	
Future taxation—		
Income tax ..	129,700	
Profits tax on undistributed profits	51,340	
		268,040

Now, this is precisely the procedure that would naturally be adopted by anyone who wanted simply to assess exactly how much a company could pay in dividends, as a maximum, in any one year. It is only logical that if one wants

to work out an earnings figure due allowance must be made for the additional profits tax that would have to be paid if, in fact, the whole of the net profit were distributed in dividend. But in practice, no company operating in normal conditions ever does distribute the whole of its profit in dividend, and so when deciding how to treat profits tax one has to bear in mind the difference between theory and practice. The accounts are not drawn up merely to show the maximum profit distributable. So long as a company is not paying out the whole of its net profit in dividend, then is it correct to prepare accounts on the basis that it is doing so? A possible future liability has to be acknowledged, but a business does not settle such a liability in advance. Looked at another way, is not the profit and loss account of Charles Roberts understating the net profit earned by £18,040, the amount deducted for profits tax on undistributed profits? Net profit and the maximum dividend distribution are not one and the same thing, and while it is useful for shareholders to be provided with the information about the possible future tax liability, a good place in which to set it out is in the notes section.

Should Interim Statements be More Extensive?

In the fifth of a series of booklets entitled *The Chairman Speaks*, Mr. Ian F. Richardson, city editor of the *Birmingham Post*, draws attention, among other things, to the amount of information which interim statements should contain. These statements, containing unaudited profit figures for the period (often six months, but sometimes a quarter) are a comparatively recent innovation on this side of the Atlantic. Many do not like them, holding them to be misleading in failing to take account of seasonal influences, and so on (arguments which we have discussed and tried to answer previously in this journal—see, for example, our issue of January, 1955, pages 1–2). A number of companies, sharing to some extent in the doubts but wishing to fall into line with the trend, have compromised by merely providing a brief statement of the trading position during the portion of the year, without any firm profit figures to back it up. In Mr. Richardson's opinion, interim statements, if they are not to be misleading, "should contain a fairly full summary of the profit and loss account. The least one wants in order to be able to comment intelligently are figures for output, sales, orders on hand, depreciation, interest, profits before tax and profits after tax." Very few companies, so far at least, are prepared to divulge so much information.

A company which comes very near to Mr. Richardson's ideal, however, is *Albert E. Reed*, which produces a half-yearly statement containing a sales figure, group profits before tax, the estimated provision for taxation, and the balance available for appropriation. The whole thing is rounded off with an accompanying explanatory statement from the chairman and is tastefully presented on a single, folded sheet, with headings high-lighted against a green background. The statement shows what can be done, and lends full support to Mr. Richardson's contention that "if these companies can go to such trouble, I cannot see any real excuse for the common form of preliminary statement with its meagre snippets of information."

Mr. Richardson has written an entertaining little booklet, full of practical advice and sensible discussion of the need for presenting adequate financial information in the form in which it is going to prove most useful to the widest possible audience. "What matters is that 'the moral title to information' both of the employee and of the shareholder should be recognised," declares Mr. Richardson—a sentiment that will receive wide support among the enlightened.

What's Yours?

An exercise in comparing the accounts of brewery companies cannot be resisted. *Ind Coope and Allsopp* is the largest brewery undertaking in the country, and the presentation of its annual accounts, which are very handsomely printed on art paper, is in keeping with this status. Great care has obviously gone into the preparation of both the accounts and the chairman's statement, which this year takes the form of a liberally illustrated separate booklet inserted into the report and accounts. But far too many figures are packed into the single page devoted to both the parent and group balance sheets: because four columns of figures have to be set in a quarto-sized page, the whole layout is cramped, and the type faces are in consequence too small for easy reading. If it is possible to leave page 16 of the accounts entirely blank, it would surely not be a difficult matter to rearrange these balance sheets so that there is only one to a page. Ample space is given to listing the various items at the beginning and end, and this throws into sharp relief the cramping of the balance sheets and the notes section.

Watney Combe Reid favours a layout giving net asset totals for the balance sheets, and the saving in space has thus enabled the parent balance sheet to be accommodated on one page, with the group balance sheet on the facing page. The figures are tabulated down the right-hand side of the page, the comparative figures being set in red and divided from the latest figures by a bold red line. Red rules at the top and bottom of the page combine to give a clear-cut presentation that stands out very well and makes the most of limited space. The same style is adhered to in the profit and loss account.

Vaux and Associated Breweries has varied the presentation of its accounts this year, by appending three pages of pictures, showing aspects of the group activities. The accounts continue to be well set out, with a sensible use of bold type faces to highlight the main items. A point of accounting interest is the practice of adding to the cost of dividends the distributed profits tax attracted by their payment, a practice which is followed by only a few other concerns. A basic objection is that it results in the net profit, or the amount of profit available for distribution, being read at a figure increased to the extent of the amount of distributed profits tax payable.

However, the desire to bring out unmistakably the distinction between the two parts of the profit tax is entirely understandable. *Scottish Brewers* does so by splitting the total charge for profits tax into two parts, as shown below.

This is a highly commendable way of meeting the objections which may be levelled at the method adopted by Vaux. Taxation of any kind remains a charge on profits, and all that shareholders really need to know is the true state of affairs with regard to their dividends.

Taxation on the profit for the year:		£	£
Income tax (including £902,940 set aside for 1958/59)		982,316	
Profits tax:	£		
On undistributed profits	81,084		
On distributions	156,201		
		237,285	
			1,219,601

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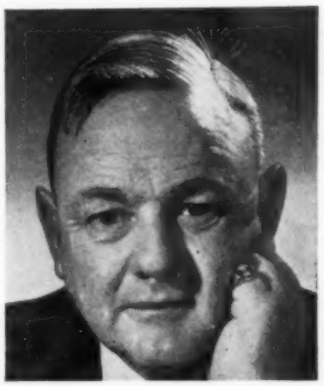
The Rt. Hon. LORD HAILSHAM, Q.C.

APPEALS FOR CANCER RESEARCH



The Rt. Hon. Lord Hailsham, Q.C.
Photo by courtesy Sunday Times.

Lord Hailsham writes: "The Imperial Cancer Research Fund, which is under the highest medical and scientific direction, is continually engaged in the work of Cancer Research in its own modern laboratories. The work is now to be still further increased in new laboratories at Lincoln's Inn Fields. Very heavy expenditure is involved, and help is urgently needed from generous-hearted people to meet the cost. I hope, therefore, that the appeal may evoke a most generous response."

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Letters to the Editor

Interest on Partnership Capital

Sir,—Is not Mr. Whittington-Smith's argument in his article in your issue of January, 1958 (page 10) considerably strengthened by the fact that the object of crediting interest on capital is to do a measure of justice amongst the partners, where their capitals are not in the ratio in which they share profits and losses? In effect, the partners become entitled first to an investment rate of return on their capital and share only the "super-profits" in the profit-sharing ratio. Looked at from this point of view, it certainly seems reasonable merely to abate the rate of interest where profits are insufficient to meet the full amount. It is, by contrast, difficult to see any justification for crediting interest out of non-existent profits on one basis and then taking it back on another. The only effect (ignoring the income tax position) is to vary each partner's share in the business for no apparent reason.

Yours faithfully,

F. W. DANIELS, O.B.E.

Newcastle upon Tyne.

[Mr. Whittington-Smith writes as follows:

I am much obliged to your correspondent for his remarks. If partners' capital ratios differ from their profit-sharing ratios, interest on capital should be allowed if for no other reason than to adjust inequities. The adjustment should be made, however, not by charging interest irrespective of whether it is covered by profits but by appropriating a sufficient *quantum* of the first available profits.

The practice of creating a notional loss by charging interest in full when it is not covered by profits is, despite the apparent attractiveness of this method, really based upon a misunderstanding of the true nature of the adjustment that is required. The principle to which effect is given in Section 24 of the Partnership Act, 1890, in providing that a partner shall not be entitled, before the ascertainment of profits, to interest on capital, should accordingly be extended to all cases where interest is chargeable on capital contributions.]

Goodwill and Subsidiaries

Sir,—Whilst being in full agreement with Mr. David Solomons (March issue, page 146) in criticising your views on the British Chrome and Chemicals (Holdings) Ltd. accounts (January issue, page 31), I consider a more apt and concise description of the item would be "premium paid on acquisition of shares in the subsidiary companies," which is what it is.

As for calling it "goodwill," it cannot possibly be so described. Goodwill, surely, represents the standing of a company in the eyes of the outside world. This item is purely a "family" affair and if no goodwill appears on the balance sheets of the subsidiaries it cannot suddenly be created when the respective accounts are consolidated. It is, in effect, a balancing figure which only arises on consolidation; this may make your contributor understand why it does not appear on the parent company's balance sheet.

Yours faithfully,

C. E. LEVITT, A.C.A.

Jersey, C.I.

The New Child Reliefs

Sir,—I would suggest that the tax position in regard to the attainment of specified ages (ACCOUNTANCY for January, 1958, page 23) is more likely to be influenced by the provision that has been embodied in National Insurance and old age pension law for the last fifty years or so, and now reads:

> A person shall be deemed . . . not to have attained the age of eighteen years until the commencement of the eighteenth anniversary of the day of his birth, and similarly with respect to any other age.

There is a definition in the Family Allowances Act to the same effect, so it seems very unlikely that any other definition would be adopted for tax purposes—the position would in fact be untenable. A child born on April 6, 1946, is, I suggest, on the definition given above, "under eleven" up to and including April 5, 1957, and "over eleven" as from April 6, 1957, inclusive.

Yours faithfully,

Newcastle upon Tyne GEORDIE.

[A "deeming" provision in an Act cannot be imported into a different Act. We now understand that the interpretation in our note of when a child reaches a certain age is shared by the Inland Revenue.—Editor, ACCOUNTANCY.]

Travelling on Business

Sir,—In the February issue of ACCOUNTANCY (page 62) you published an article entitled "Travelling on Business," which I found very interesting.

However, one paragraph refers to travelling by sea and dismisses the idea as "not strictly relevant when we are discussing business travel." I do not agree with this statement and would like to point out that sea travel on business *is* relevant, particularly when an arduous trip abroad is undertaken.

Everyone knows that a fit man can do a better job than a sick one. A return sea voyage would provide the opportunity to recuperate, with time to complete reports and readjust oneself physically and mentally, avoiding exhaustion and enabling an immediate return to business.

It is not perhaps generally known that arrangements can be easily made to travel for part of the journey by air and continue it by sea, an ideal scheme to remember when an oversea tour is being planned.

Yours faithfully,

CHAS. W. ASTON, A.C.A.
General Manager, Peninsular and Oriental Steam Navigation Company
122 Leadenhall Street
London, E.C.3.

[The full quotation is: "A long sea voyage has its own attractions, but is not strictly relevant when we are discussing business travel. Only the most luxurious businesses give much scope for long sea voyages."—Editor, ACCOUNTANCY.]

ROTATION OF AUDITORS

"There is very little switching of auditors by the large corporations. In 1956 only about 5 per cent. of the big concerns had changed from the auditors checking their records in 1951, but there are among them some who believe that it is vital to get a fresh auditing eye every so often. Du Pont, for example, changes auditors every few years. When the du Pont directors on the General Motors board recommended that G.M. follow the same practice, the G.M. board declined on the grounds that its auditor, Haskins and Sells, managed to get a fresh view of G.M.'s accounting practices by rotating the partners who supervised the audit every few years.

The Institute of C.P.A.'s takes no position on the subject of rotating auditors. Some auditors point out that while the loopholes in auditing on inventory and accounts receivable exploited by Musica and his three brothers at McKesson and Robbins have been plugged, it is still theoretically possible for three or four conspirators in key positions in a big corporation to perpetrate major frauds. One reason for rotating auditors would be to give management the benefits of a fresh look at its own accounting policies and procedures, and also eliminate any laxness that might result from long and close association between auditors and members of management".—From *Fortune* magazine (U.S.A.), January, 1958.

Readers' Points and Queries

Income Tax—Sale of Topsoil by Farmer

Reader's Query.—I have a client who has owned for some years a piece of waste land. Since the purchase of this land he has commenced trading as a cattle farmer in a very small way. The waste land has not, however, been used in his business as a farmer and is still in the same state as when it was purchased.

My client is also a director, and majority shareholder, in a building society which is carrying out a contract and requires a certain tonnage of topsoil with which to fulfil that contract. My client proposes to take the topsoil from the waste land, sell it to the company at the normal market price and then allow the land to revert to its normal state with no intention of using that land again, unless of course the opportunity arises.

Can you please advise me whether my client will be liable for tax on the money so received from the sale of the topsoil to the company or whether the transaction can be treated as not constituting a trade?

Reply.—In our opinion the sale of topsoil by a farmer will be liable to tax as part of a trade. It seems to us that the taxpayer is using the land and is, therefore, liable to tax under Section 179 of the Income Tax Act, 1952. Some guidance can be found in Christie *v.* Davies *(1945) 26 T.C. 398,* C.I.R. *v.* Williamson Bros. *(1950) 31 T.C. 370 and* Smethurst *v.* Davy *(1957) 36 A.T.C. 137.*

The Investment Allowance

Reader's Query.—I refer to the illustration shown in the article appearing on page 87 of your February issue. In the circumstances that the plant was purchased on June 12, 1955, and sold on October 31, 1957, is there not a possible withdrawal of the investment allowance under the rules laid down in the Second Schedule to the Finance Act, 1954?

If this is so, would withdrawal be automatic, or under what circumstances would withdrawal of investment allowance not be applicable?

Reply.—The withdrawal of the investment allowance would be a possibility in this case, but it must be remembered that if the taxpayer can show that the main purpose of incurring the expenditure was not to obtain an investment allowance or that the incurring of the expenditure and the property being so dealt with were bona fide *business transactions and not designed for the purpose of obtaining tax allowances, then there will be no withdrawal. Where, therefore, property becomes obsolete or worn out quickly and has to be replaced or some change in the business occurs which makes the property redundant, there would be no question of withdrawal of the allowance unless it fell under one of the other headings, such as sales to associates and so on. Withdrawal is not automatic: the Inspector of Taxes has to consider the facts before taking action.*

Appeals Against Proposed Assessments

Reader's Query.—We have written as follows to the Board of Inland Revenue: "We would draw your attention to the fact that the Office of the Special Commissioners of Income Tax refuses to accept an appeal against a proposed assessment on the grounds that the appeal cannot be made until the proposed assessment is formalised. Even if this is legally correct, it is a waste of valuable effort, and requires us to write a second time; we suggest that this procedure requires review."

Reply.—This is just one of the things about which, with the Acts as they are at present, the Inland Revenue can do nothing. It is bound by the red tape.

Publications

Electronics in the Office. The Office Management Association. Pp. 132. (*The Office Management Association, London:* £1 1s. net.)

THIS EXCELLENT COMPILATION consists of the papers read at the annual conference of the Office Management Association on the application of electronic digital computers to office organisation and management, and the reports on the discussions that took place on the papers.

As a reminder of the proceedings at the conference, the work will appeal to those who attended. For others, also, it is an excellent introduction to the world of computers and their applications. It is, however, essential to bear in mind that the papers were based on the experience of the individual authors in their own organisations, and other people might arrive at different conclusions on some points.

The paper in the first part outlines, in language which anyone can understand, how a computer works. The principles of electronic pulses are given, and how they operate the various components of the computer. Binary mathematics is simply expounded. The different types of memory storage are described.

In the second part papers by three leading figures in widely differing industrial and commercial concerns describe investigations in their organisations to decide upon the possibility of installing a computer; the conclusions, and the reasons for them, are stated.

In the next part there are four papers on how different organisations use their computers—two on the use of tried computers, the other two on the use of computers still in the experimental or developmental stage.

Finally, nine leading manufacturers of computers, all exhibitors at the conference, give details of some of the many varied types of equipment which they manufacture. J.W.M.

Income Tax Principles. By H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A. Third edition. Pp. ix+180. (*H.F.L. (Publishers) Ltd.:* 12s. 6d. net.)

THE BEST WAY of obtaining a bird's eye view of the landscape is to climb a hill and look around. Though detail is lost the principal landmarks gain significance. Students wanting a vantage point from which to view the extent of the income tax field are recommended to buy and read the third edition of *Income Tax Principles.*

The title of the book is apt. It concentrates on fundamental principles and

the examples work out in figures problems of the kind commonly encountered in the Intermediate examination papers —and in everyday practice.

The new edition incorporates the essential changes introduced by the Finance Acts of 1956 and 1957 and such events as the furling of the Chancellor's umbrella have not been disregarded.

An example of the scope and usefulness of the book is provided by the exposition of Section 19, Finance Act, 1956. That important but little known Section remedies an anomaly whereby the same income was charged to both estate duty and surtax. *Simon's Income Tax* comments learnedly on this section: Mr. Wilson and Mr. Carmichael illuminate their short explanation with a simple example in figures.

To compress new and complicated legislation within a few paragraphs of lucid prose is no easy assignment. The difficulty of the task is apparent in the authors' digest of the new scheme of taxation relating to Schedule E. On a first reading of page 41 it is difficult to visualise the whereabouts of an employee chargeable under Case II and "not ordinarily resident in the United Kingdom (whether resident or not)." The confusion is unavoidably due to fine distinctions in the meaning of "residence" which are touched upon in a later section of the book.

It would be helpful if the early section dealing with Schedule E could make a cross-reference to the later section dealing with residence.

The general impression is that any reader must be grateful for the careful revision of a fine work. Certainly all students—and many inquisitive businessmen—would profit from a study of this compact, well-printed and informative book.

C.H.K.

Cost Accounts. By Walter W. Bigg, F.C.A. Seventh Edition. Pp. xiii+328. (*Macdonald and Evans, Ltd.:* Price 18s. net.)

IN THIS NEW edition of the well-known textbook on cost accounting, Mr. Bigg has taken the opportunity of giving the text a better balance. The work has been lengthened and thoroughly revised. In the previous edition budgetary control and standard costing occupied 26 pages, but they now cover 61 pages. The treatment of marginal costing is longer: this subject now has a chapter of nine pages. The chapters on the double-entry aspect of cost accounting and standard costing are, in particular, models of clarity as regards the book-keeping techniques involved and in this respect will be of greater value to students than those in the previous edition. The book has also been re-set and re-designed in a more attractive manner.

This work is generally regarded as a standard textbook in this country and therefore should be judged on the highest standards. One cannot help concluding that, examined on this level, it has some deficiencies. In general, it is not comprehensive enough for the practising cost accountant and if the student (and, even more, the cost accountant) were to rely solely upon it, his cost accounting theory might well be incomplete. The object of cost accounting is stated to be "to provide management with prompt and accurate information as to the cost of a certain section . . . and details of how such cost has been arrived at." This view appears to be unnecessarily restricted. One could say, much more comprehensively, that the object is the formulation of practices and procedures concerning costs which management considers to be useful, particularly in controlling costs, but also for arriving at price and output decisions. The student must keep such objects well in mind in order to realise that normally there is no one way of presenting costs suitable for all such costing purposes. One of the notable omissions in the book is of any adequate discussion of the concepts of cost. These differing concepts render the use of the word misleading if no meaningful adjective is added. This subject deserves a good chapter in a cost accounting textbook.

In Chapters V and VI, concerning indirect cost, there is no explicit statement about the basis of cost allocation but from the discussion the basis accepted appears to be a vague benefit criterion and no mention is made of the concept of cost responsibility. Also little mention is made of the problems presented by fixed and joint costs.

The references to marginal cost leave one with the impression that it can be equated with variable cost (see pages 119 and 123, for example). This is not so.

As regards process costing, the author in considering the possibility of subcontracting processes advocates the use of double entry in comparing costs with outside market prices. This procedure seems cumbersome and leads to unnecessary stock adjustment complications. It would appear that comparison could be made just as well outside the double-entry system, especially if unavoidable costs are debited to any processes, so making necessary further adjustments.

The "advantages and disadvantages" approach to stock valuations and interest problems, as used in the book, makes for inconclusiveness. In particular the question whether interest is a cost and in what circumstances is never properly answered. The desirability of including interest in cost accounts is a separate question.

On standard costing, there is insufficient treatment of flexible budget procedures and the disarming assumption is made that average variable costs can be assumed to be constant. A relatively large amount of space is devoted to analysing fixed expense variances but as the management cannot, except in the long run, be responsible for fixed costs (by definition) the analysis seems to be of minor importance. In that there is no treatment of departmentalisation in standard costing the text appears to require expansion. E.A.L.

Your Business Matters. By Frederick A. J. Couldery, A.C.A., A.A.C.C.A., A.C.C.S., and Allen J. G. Sheppard, B.SC.(ECON.), A.C.C.S. Pp. vii+236. (*John Murray:* 12s. 6d. net.)

IN THE SHORT space of 236 pages, the authors have tried to show the problems that will be met by a person starting up in business and the method of dealing with them. They have produced a most readable book which will give a good background knowledge to anyone contemplating the purchase of a business.

The book, very reasonably, commences with the purchase of the business and considers the best type of business unit to be created. Succeeding chapters deal in turn with different aspects of business administration. Perhaps one of the most useful of these chapters is the one explaining the various professional services which the trader can use and how he can obtain the best advantage from them.

Finally, the authors have the courage to deal not only with the business which is prospering and expanding but with that which is failing; they have set forth means for recognising the failure and the best method of cutting losses before the situation becomes impossible.

Useful appendices give details of legal matters affecting different trades, of books recommended for further study, and of trade associations, the joining of which will bring benefit to the trader.

Manifestly, in such a small book no one subject can be treated in any great detail, but each chapter does provide a

very good basis upon which a more complete knowledge can be built. Any professional man who has a client contemplating the purchase or setting up of a small business would do well to recommend this book to him. P.E.H.

Overseas Trade Corporations. By David R. Stanford, M.A., LL.B. Pp. xx+339. (*Sweet & Maxwell, Ltd.:* 35s. net.)

MR. STANFORD ATTEMPTS to explain the complicated provisions of the Finance Act, 1957, relating to Overseas Trade Corporations. The task is a difficult one, for much of the legislation is interwoven with existing tax law and the meaning of some of the provisions is obscure. That some 160 pages are devoted to the legislation itself bears evidence to the painstaking manner in which the task has been undertaken. There is also a chapter on double taxation relief and 104 pages reproducing various enactments.

In certain respects the practising accountant will be disappointed with this book because of its almost complete lack of worked examples and the meagre space, three pages only, devoted to the advantages and disadvantages of becoming an O.T.C. In addition, occasional loose drafting creates one or two misleading impressions—as, for example, where in connection with charges paid out of dividends with a net United Kingdom rate the statement is made that tax at "the full standard rate is not to be accounted for to the Crown, only the net United Kingdom rate applicable to the dividend."

Whatever its shortcomings, however, the book will be a welcome addition to many libraries and should be particularly useful to those people who are meeting the O.T.C. problem for the first time.

Perhaps the most serious defect in the legislation is that it does not extend relief to dividends received by a United Kingdom parent company from subsidiaries resident overseas, even where such dividends are used to develop the interests of the parent company in other parts of the world. It will be remembered that the refusal to give such relief was based on the ostensible grounds that the Treasury would have little control over a parent company "which had the tenuous hold of 51 per cent. of the shares" of an oversea subsidiary. When one considers that the government has numerous powers in such circumstances, so that under the Exchange Control Act, to take but one example, the parent company may be compelled to make its subsidiaries do almost anything, the excuse wears rather thin.

In due course it is to be hoped that the Commissioners of Inland Revenue will themselves issue an explanatory booklet on the subject of O.T.C.'s. Those they have already published on other subjects are models of clarity and brevity. C.D.H.

Accounting and Action—An Introduction to the Methods and Scope of Accounting. By R. J. Chambers, B.EC. Pp. viii+248. (*Law Book Co. of Australasia Pty. Ltd.—Great Britain, Sweet & Maxwell Ltd.:* 27s. 6d. net.)

PROFESSOR CHAMBERS, WHO is Associate Professor of Accounting in the University of Sydney, aims at giving the student a treatment of accounting that will be both introductory and supplementary to the standard works. His theme is "accounting as an aid to informed action," and he is concerned to reach the student before "preoccupation with technical procedures limits the development of understanding and perspective."

Considering the affairs of a householder, he establishes that the two basic informants are a statement showing income, expense and saving, and one showing net worth. He demonstrates that these statements are validly expressed in the general terms of the fundamental accounting identity: disposition of means equals sources of means. Only then does he deal with the unique presentation of this identity as used in accounting records.

Mr. Chambers does not seek to concern the student with variants of the basic method which add nothing to the general understanding. Using a very lucid method of instruction he considers in turn the various classes of accounting entities, and introduces the student to the methods and concepts of governmental and national accounting. At each stage attention is concentrated on how the valid employment of information obtained from accounts can condition action. And validity is the theme of the section on the instability of the accounting unit—if a process is not adopted whereby this inherent instability is adjusted for, will not users "be forced to use accounting statements for fewer purposes than more relevant statements would be used"?

By his example, the author encourages the student to distinguish between mere conventions and basic concepts. He emphasises that the concepts require reasoned thought as to their soundness and relevance to particular cases (simple examples are cash and accrual accounting, and simple manufacturing accounts).

All this is surely in healthy contrast to the lamentably disproportionate attention devoted by most students to the mere craft of book-keeping. If sometimes Mr. Chambers gives less than a full hearing to views opposed to his own, he carefully leaves the impression that there is more work to be done, and it can be assumed that his readers will soon be searching for further material to study and appraise.

This is a timely book, which can be used by Intermediate students quite early in their course—and will surely assist them again in their Final studies. Indeed, when examining bodies are referring to "accounting theory" rather than to "accounts," it is difficult to see how Professor Chambers's treatment of the subject will not become required, as well as highly beneficial, reading. M.H.W.

Books Received

Some British Industries, 1936–1956. Their Expansion and Achievements. By Alan Hess, F.I.P.R. Pp. 329. (*Information in Industry Ltd., 17 Clifford Street, London, W.1:* £2 2s. net.)

The Life and Work of Frederick Winslow Taylor. By Lyndall F. Urwick. Pp. 18. (*Urwick, Orr & Partners. Ltd., 29 Hertford Street, London. W.1:* 2s. 6d.)

Hanson's Death Duties. Tenth edition. Second cumulative supplement (to January 1, 1958). Pp. 94. (*Sweet & Maxwell Ltd.:* 10s. 6d. net.)

Children Services Statistics, 1956–57. Pp. 23. **Local Health Services Statistics, 1956–57.** Pp. 27. **Welfare Services Statistics, 1956–57.** Pp. 23. (*Institute of Municipal Treasurers and Accountants, London, S.W.1 and the Society of County Treasurers, County Hall, Chester:* 3s. each, post free.)

Buckinghamshire County Council. Accounts for the year ended March 31, 1957. Pp. 183. (*County Treasurer, County Offices, Aylesbury.*)

Motivation Research—Its Practice and Uses for Advertising, Marketing and other Business Purposes. By Harry Henry. Pp. 240. (*Crosby Lockwood & Son Ltd., 26 Old Brompton Road, London, S.W.7:* 30s. net.)

Prosperity Through Competition. The Economics of the German Miracle. By Ludwig Erhard, Vice-Chancellor and Minister for Economic Affairs of the German Federal Republic. Pp. viii+260 and 3 Tables. (*Thames & Hudson Ltd.:* 25s. net.)

The Electronic Office. By R. H. Williams, A.I.B. Second Edition. Pp. 80. (*Gee & Co. (Publishers) Ltd.:* 17s. 6d. net.)
First edition reviewed in ACCOUNTANCY, April, 1956, page 146.

They say—

- 'It will interest you to know that only recently I have had a query from my . . . office and another from. . . . Neither point is mentioned in any text-book but within ten minutes of taking out my own 'Index to *Taxation*' I had the answer to both—one was in an issue of April 1942 and another in November 1953. It is amazing the number of obscure points of practice one can find in this way (I am always doing it) but these two are outstanding examples.'—(15550.)

- 'I can hardly conceive anyone who is called upon to deal with taxation matters being able to do so effectively without the assistance of *Taxation*. I personally have found that by keeping the back numbers of *Taxation* the detailed information which can be found on almost any point is better than a text-book.'—(16712.)

- 'We indicate to you the value of the correspondence columns of *Taxation*. The amount involved in our case was comparatively large, and we should like to say how much we appreciate the benefit derived from your correspondence columns.'—(16504.)

- *Mr Harold Wilson,* M.P., *in the House of Commons:* 'There is a valuable weekly journal called *Taxation* and I hope that the Chancellor reads it regularly—if he does he will learn a great deal from it.'

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Legal Notes

Executorship Law and Trusts—
Forfeiture of Interest

By his will R. gave certain stock to his trustees upon trust to hold the income on protective trusts for his grandson, E., until he attained the age of thirty-five years, the interest to become absolute if E. attained the age of thirty-five years provided that he had not attempted to do or suffer any act or thing and that no event had occurred whereby he would at any time thereafter be deprived of the right to receive the capital or income or any part thereof. The testator went on to direct that if E. had made such attempt or sufferance or such event had happened, the trustees should hold the income on protective trusts for the benefit of E. during his life.

Before E. had become thirty-five, his wife had divorced him and had obtained from the Divorce Court an order that E.'s interest under the will should be charged with the payment of £50 a year in her favour and that the deed necessary to give effect to the charge should be settled by conveyancing counsel. No deed was ever settled. After becoming thirty-five E. was adjudicated bankrupt. The question then arose whether the trust property had vested absolutely in E. so that it passed to the trustee in bankruptcy, or whether E.'s interest had been forfeited as a result of the Divorce Court order so that the fund was now held on protective trusts.

In **Re Richardson's Will Trusts** [1958] 2 W.L.R. 414, Danckwerts, J., said that the effect of the order was to create or attempt to create an equitable charge on E.'s interest: if he had been absolutely entitled at that time, the order would have deprived him of the right to receive part of the income. Consequently there was a forfeiture.

Executorship Law and Trusts—
Meaning of "Business"

By his will W. bequeathed "the business of a house furnisher at present carried on by me at 64 Myddleton Road" as to two-thirds to his wife and as to the other one-third to H. absolutely, and he expressed the wish that H. should carry on and manage the business as she thought fit. A dispute arose between the beneficiaries as to the meaning of "business" and **In re White deceased** [1958] 2 W.L.R. 464 the executors asked the court whether the bequest included (i) all or part of a sum standing to the testator's credit in a bank, (ii) stock-in-trade, (iii) book debts and (iv) the freehold property where the business was carried on, and also whether the bequest of the business was subject to the payment of the testator's trade liabilities at the date of his death or the income tax payable in respect of the profits of the business down to the testator's death. Wynn-Parry, J., applying *In re Rhagg* [1938] Ch. 828, said that the will contemplated the continuation of the business, lock, stock, and barrel as it existed at the date of the testator's death and that the substance of the bequest was the assets of the business subject to its liabilities: in his view the bequest included the stock-in-trade, the book debts and the freehold property and was subject to the trade liabilities. On the other hand, it was conceded upon the evidence that no part of the testator's credit balance with the bank was included in the bequest, as the testator used that account for private purposes; and in his Lordship's view the bequest was not subject to the payment of the income tax, which was personal to the testator.

Miscellaneous—
When is a Premium not a Premium?

The Rent Acts do not apply to tenancies in which the rent is less than two-thirds of the rateable value of the premises on the appropriate day. Apart from some important but temporary exceptions introduced by the Rent Act, 1957, it is not illegal to charge a premium upon the grant of a tenancy to which the Rent Acts do not apply. Relying on these principles, S.P. Ltd. evolved an elaborate scheme whereby in consideration of a lump sum payment of £35 a tenant was granted a tenancy for a year at a rent of £1 a quarter. S.P. Ltd. made it quite clear to the tenant that the object of the scheme was to avoid the application of the Rent Acts, and indeed before they would grant the tenancy they required the tenant to produce a certificate from a solicitor stating he had been consulted by the tenant and had fully explained the scheme to him. Nevertheless, in **Samrose Properties Ltd. v. Gibbard** [1958] 1 W.L.R. 235 the Court of Appeal held the real substance of the transaction to be that the lump sum of £35 was not a premium but commuted rent, with the result that the rent was more than two-thirds of the rateable value of the premises and the Rent Acts applied to the tenancy.

It has of course long been recognised that the Courts are fully entitled to investigate the substance of a transaction and are not bound by the label which the parties may choose to put upon it, but it is respectfully submitted that if, pushed too far, this principle could produce a lack of trust in almost any document.

Miscellaneous—
Premiums Paid for Tenancies

The Landlord and Tenant (Rent Control) Act, 1949, Section 2, prohibits the requiring of premiums on the grant, renewal, continuance or assignment of tenancies to which the Rent Acts apply. Under the Rent Act, 1957, this Section is also deemed to apply for three years after July 6, 1957, to a tenancy which is excluded from the Rent Acts only by the new limits of rateable value and/or by the fact that it was created after July 6, 1957, or by a combination of those facts with the fact that the rent is less than two-thirds of the old rateable value. The Rent Act, 1957, also makes it more difficult to charge a disguised premium. First, in circumstances where it would be illegal to require the payment of a premium it is now also illegal to require the making of a loan; second, on the grant, continuance or renewal of tenancies to which Section 2 of the Landlord and Tenant (Rent Control) Act, 1949, is deemed to apply, the landlord may not require rent to be payable either (*a*) before the beginning of the rental period for which it is payable or (*b*) earlier than six months before the end of the rental period in respect of which it is payable if that period is more than six months long. Examples of void requirements would be to make rent for a monthly tenancy payable two months in advance or to require a year's rent in advance on the grant of a tenancy for one year.

In **Grace Rymer Investments Ltd. v. Waite** [1958] 2 W.L.R. 200, the Court has shown that, apart from the Rent Act, 1957, on the grant of a tenancy to which the Rent Acts apply the payment of rent in advance may be the payment of a premium. In the three cases before the Court the tenants had all been required to pay three years' rent in advance, and Danckwerts, J., held that these payments were premiums. He said that it would not be unlawful in every case for a landlord to require payment of rent in advance: rents were often required to be paid in advance where the circumstances suggested that the tenant was not a very stable character. But if the demand was obviously a device to get round the law and not a *bona fide* attempt to prevent the landlord being deprived of his ability to recover the rent, the transaction might be scrutinised and shown to be other than what it was called.

The Student's Columns

MANAGEMENT ACCOUNTING—I

IT IS IMPORTANT to realise that management accounting is not a new subject but has been developed over the years with the growth of business enterprise. If the business is small, with only a few employees, the proprietor (or his partners) may walk around the factory, the offices and the warehouse and confirm that the employees do the work required of them, in the manner required, and as soon as possible. The proprietor wishes to make a profit and he has certain ideas on how that profit shall be made. The employees are told orally the work to be done and the time in which it is to be completed. The proprietor, by personal observation, is able to confirm his instructions are obeyed. He requires no information in the form of figures to help him in managing the business.

If extensive delegation of authority is necessary, however, instructions from proprietors or directors to employees and details of the achievements of employees sent to the proprietors or directors must be in written form. As the accountant is trained to record facts in figures and to present information in an easily readable form, he can facilitate this interchange of information.

Obviously the accountant must continue to keep records of cash receipts and payments, sales and purchases, assets and liabilities and prepare annual accounts. These records are required to show the results of the business to proprietors, to the Inland Revenue and to creditors. But by adapting the methods by which such records are kept, additional information may be found which may be useful to management in the day-to-day running of the business. This information may take many forms—as examples, a profit and loss account, analysed to show the results of each department, may be prepared monthly; a summarised cash account may be prepared monthly with notes showing debtors and creditors outstanding at the end of the month; or sales figures only may be analysed according to products and salesmen weekly.

If the management requires details of the cost of each job or batch of products, the accounts discussed in the preceding paragraph may not be suitable. Frequently a separate set of books is prepared to show the cost of each job. In these books the expenses are re-analysed under job numbers. If any reliance is to be placed upon the figures for costs, the amounts in the financial and costing books must be reconciled regularly.

Thus, even ignoring the matters discussed in the succeeding paragraphs, the accountant can find much scope to revise existing accounting records to help the directors and selling, production and purchasing departments. If he does help the other members of the management team, even in the simple manner indicated in the two previous paragraphs, he is becoming a management accountant and not remaining a book-keeper.

Budgets

In all successful businesses, the management has a policy or set of principles, upon which operations are based. The simplest method of instructing workers and ensuring that all efforts are co-ordinated is to prepare budgets or plans for each section of the business and to see that all budgets interlock. The budgets will lay down how the objects of the business are to be attained and the period in which certain quantitative results are planned to be achieved.

If the business is a limited company, the objects for which it was formed will be found in its Memorandum of Association. Assume the policy is to manufacture and sell raincoats. The Board of directors decides to limit operations to ladies' raincoats. After consultations with the sales and production managers and from his own knowledge of the trade the managing director will determine the sizes and styles of ladies' raincoats which will be manufactured and sold. Having made the "policy" decisions, budgets will be prepared. These budgets will cover sales, production, raw materials, labour, overheads (factory, administration, selling and distribution), capital expenditure, cash, research, debtors, stocks and work-in-progress.

The figures in many of the budgets will depend upon those in some other budget. For example, until the sales budget has been finalised the production budget cannot be completed. From a comparison of the sales and production budgets the stocks and work-in-progress budgets are compiled. From the production budget the raw material budget is prepared. The cash budget can be prepared only when all other budgets have been finalised, for the facts shown in all other budgets necessitate the payment or receipt of cash.

The figures shown by one budget may prove that the facts shown in another are impossible. For example, the sales manager may show in his sales budget that 10,000

green raincoats of size 36 are to be sold in the future period, but the production budget reveals that it is possible to manufacture only 8,000 raincoats in that size and colour. In these circumstances either the sales budget will be reduced or some attempt must be made to purchase articles from outside suppliers or to increase production. This inter-relationship and inter-dependency of all budgets, not only with themselves but with a prescribed policy, must be fully appreciated. If a particular policy is decided upon, and after the budgets have been prepared it is shown to be unprofitable, the policy will need revision. If the budgets reveal that a more ambitious policy might be adopted the policy may be adapted to allow for the expansion.

Thus, the preparation of budgets enables management to anticipate future results before the period in which those results will occur and to try to decide the best course of action in a future period. Once the budgets have been prepared and approved, information on the actual results being achieved must be provided. Here is perhaps the most important function and purpose of management accounting.

(*To be continued.*)

DOUBLE TAXATION RELIEF—I

THERE ARE TWO types of relief given against United Kingdom (U.K.) income for taxes paid in other territories—treaty relief and unilateral relief.

Treaty relief is given where there is an agreement for reciprocal relief between the U.K. and the other territory. Unilateral relief is given where there is no such agreement. Agreements have now been made with nearly all the Commonwealth countries and a number of others, including the United States of America, Belgium, Denmark, France, Germany (Federal Republic), Netherlands, Norway, Sweden and Switzerland. There is an agreement of a different type with the Republic of Ireland.

Treaty Relief

The agreements usually exempt from taxation in the other country certain types of income arising from sources in the one country. Such types of income are:

(1) Trading profits not arising through a permanent establishment.

(2) Profits of shipping and air transport.

(3) Interest.

(4) Patent and copyright royalties.

(5) Civil service salaries.

(6) Personal (including professional) earnings for services rendered by a non-resident who is in the exempting country for not more than 183 days in the tax year.

(7) Pensions and purchased annuities.

(8) Remuneration of teachers who visit the exempting country to teach for not more than two years.

(9) Payments received from the other country for maintenance, education, etc., of a student or business apprentice receiving full-time education or training.

If income is taxed in both countries, relief is given by a credit against the tax suffered in one country against the tax suffered in the other. No relief is available in the U.K. unless the person is resident in the U.K. for the year of assessment or the profits tax accounting period for which relief is claimed. The credit is limited to the foreign tax borne or tax at the U.K. effective rate on the doubly taxed income, whichever is the lower amount. Any oversea tax not relieved can be deducted from the oversea income.

The relief is calculated for the periods in which the oversea income becomes the basis of assessment. If, therefore, the oversea income of the year to December 31, 1958, is the basis of the oversea assessment of that calendar year, relief in respect of the 1958 oversea tax will be given in the U.K. against profits tax for 1958 and income tax for 1959/60.

Unilateral Relief

If there is no double taxation relief agreement, or if, as with South Africa, the agreement operates only on certain income, the U.K. gives relief on the doubly taxed income with the limit mentioned above. In general, the unilateral relief gives the same answer as treaty relief except in the following respects:

(*a*) Other than in the cases of the Isle of Man and the Channel Islands, unilateral relief is given only on income arising in the oversea territory.

(*b*) Relief is given for tax paid in the Isle of Man or any of the Channel Islands if the person is resident either in the U.K. or in the Island in question.

(*c*) Relief may be claimed by a person resident in an oversea territory in respect of the tax of that country on remuneration charged in the U.K. under Schedule E.

(*d*) Remuneration for services (including professional services) performed in an oversea country is treated as arising there.

(*e*) Indirect tax, i.e. the tax borne by the oversea com-

pany on the profits out of which the dividend is paid, is available for relief:

(i) if the company is resident in a Commonwealth country, in respect of Ordinary dividends and the participating part of a dividend on Participating Preference shares, and

(ii) in respect of a dividend of any class paid by any oversea company to an U.K. company which controls at least one-half of the voting power in the oversea company.

In treaty relief, the indirect tax is available if the agreement includes it; not all agreements do so.

The Republic of Ireland

The agreement provides that a resident of the U.K. who is not resident in Eire pays tax on his whole income in the U.K. and none in Eire (except to account for tax deducted from annual charges). A resident in Eire and not in the U.K. similarly pays tax on his whole income in Eire.

A person resident in both countries pays taxes in both but can claim relief in both on the doubly-taxed income at half the lower of the two effective rates.

Effective Rates

The effective U.K. rate for an individual is found by taking the sum of income tax (before deducting life assurance relief or double taxation relief) and surtax (if any) borne for the year, and dividing that sum by the total income (i.e. before deducting any personal or similar allowances).

For a company, the effective rate is found by dividing the profits tax borne for the period by the total income and adding the result to the standard rate of income tax. The relief is given first against the profits tax appropriate to the oversea income.

(*To be continued.*)

Notices

A two-day course on **job evaluation and merit rating** for determining wage and salary structures will be held on April 30 and May 1 by the Industrial Welfare Society at Robert Hyde House, 48 Bryanston Square, London, W.1.

The **Instruments, Electronics and Automation Exhibition** is being held at Olympia, London, from April 16 to 25.

A tour to New York for the fourth **International Automation Exposition** (June 9 to 13) is being arranged by J. W. Kearsley & Co. Ltd., 46 Piccadilly, London, W.1. The party leaves London by air on June 6 and returns on June 22. The all-in cost ranges from about £300. At the exhibition 300 companies will display electronic computers and other products.

The **Addo-X Class 500** adding machine combines in one unit the usual balancing register and an accumulating register which can deal with plus or minus quantities. Both sub-totals and a grand total are obtained automatically, effect being given to any deductions. The machine is designed for work such as wage calculations or checking batches of invoices.

A number of courses on **Training for Management** are held in London by Management Training (P.E.) Ltd., 12 Grosvenor Place, London, S.W.1. Examples are: *Management Accounting and the Industrial Background*, June 9–13, or September 15–19, fee 40 guineas; *Management Appreciation*, May 28–30, or September 9–11, fee 25 guineas; *Work Study and Management*, June 2–27, or later dates, fee 120 guineas. The courses are not residential. Special courses can be planned to meet the needs of individual companies.

The next meeting of the Manchester Chapter of the **Institute of Internal Auditors** will be held on April 22 at 7 p.m. in the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2. There will be discussion on prepared questions submitted to a panel. An invitation is extended to all interested. Information about the Chapter is obtainable from Mr. R. S. Rossiter, Divisional Internal Auditor, Shell-Mex and B.P. Ltd., 7 Oxford Road, Manchester, 1.

The **Electronic Computer Exhibition and Business Symposium** will be held at Olympia, London, from November 28 to December 4, 1958. Electronic computers and ancillary equipment will be exhibited by more than forty British manufacturers. The theme of the symposium, at which a number of papers will be read, will be the value of computers to management. The exhibition and symposium are being organised, at the instigation of the National Research Development Corporation, by the Electronic Engineering Association and the Office Appliance and Business Equipment Trades Association. Information is obtainable from the Exhibition Organiser, 11/13 Dowgate Hill, London, E.C.4.

The **Ruf-Intromat book-keeping typewriter**, now available in an electric model, is adapted for ledger posting, payroll, or stock records. Entries are made simultaneously on three documents—for example, journal sheet, ledger card and statement. The Intromat attachment provides a feed for two independent forms, which are automatically interleaved with ribbon strips to serve instead of carbon paper. Correct alignment is secured by the machine, and forms of varying sizes can be used. A further attachment, the Addiutant, links the typewriter with an Odhner addressing-listing machine, so that figures entered on the forms can be totalled. The price, with Addiutant and adding machine, is a little under £600.

The **Accountants' Christian Fellowship** will hold its monthly meeting for Bible reading and prayer at 6.0 p.m. on Monday, May 5, 1958, in the vestry of St. Mary Woolnoth Church, King William Street, London, E.C.3. The scripture for reading and thought will be Luke, Chapter 9, verses 12 to 17 (the miracle of the meal for 5,000).

Two special one-week **courses on electronic computers** are being offered by Dundee Technical College, on similar lines to those reported in a Professional Note in ACCOUNTANCY for October, 1957 (page 417). Both will be supervised by Professor Robert H. Gregory, Professor of Accounting in Massachusetts Institute of Technology, U.S.A., with the assistance of Dr. Stanley Gill, head of the Computing Research Group of Ferranti Ltd. The first course, *Electronic Computers and Business Problems*, will be held from June 23 to 27, followed by *Developments in Electronic Data Processing for Business* from June 30 to July 4. The fee for each course is £20, and accommodation is available in a university residence at £7 10s. per week. Further information is available from the Head of the Department of Management Studies, Dundee Technical College, 40 Bell Street, Dundee.

The Institute of Chartered Accountants
in England and Wales

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, April 2, 1958, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. H. Lawson, C.B.E., President, in the chair; Mr. W. L. Barrows, Vice-President; Mr. J. Ainsworth, M.B.E., Mr. H. Garton Ash, O.B.E., M.C., Mr. E. Baldry, Mr. C. Percy Barrowcliff, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. J. Blakey, Mr. W. G. Campbell, Mr. P. F. Carpenter, Mr. W. S. Carrington, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. A. S. H. Dicker, M.B.E., Mr. W. W. Fea, Sir Harold Gillett, M.C., Mr. J. Godfrey, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Mr. P. D. Irons, Mr. H. O. Johnson, Mr. H. L. Layton, M.S.M., Mr. R. B. Leech, M.B.E., T.D., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J. Pears, Mr. C. U. Peat, M.C., Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. G. F. Saunders, Mr. K. G. Shuttleworth, Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. G. L. C. Touche, Mr. A. D. Walker, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, M.C., T.D., Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Welcome to New Member
The President welcomed Mr. S. Dixon, M.A., A.C.A., who was attending for the first time as a member of the Council. Mr. Dixon briefly replied.

Election to the Council
Mr. George Thomas Everard Chamberlain, F.C.A., Leicester, was elected a member of the Council to fill the vacancy caused by the resignation of Mr. Eric Carpendale Corton, F.C.A.

Appointment to Committee
Mr. S. Dixon was appointed to serve on the Non - Practising Members' Consultative Committee.

Admissions to Membership under the Scheme of Integration
The Council acceded to applications from 824 members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the Scheme of Integration referred to in clause 34 of the supplemental Charter. All the new members have been notified. The total number of members now admitted under the Scheme is 9,346.

Re-Admission
One application for re-admission to membership was refused.

Exemption from the Preliminary Examination
One application under bye-law 79 for exemption from the Preliminary Examination was acceded to.

Exemption from the Intermediate Examination
One application under bye-law 85 (*b*) for exemption from the Intermediate Examination was acceded to.

Reduction of Period of Service under Articles
One application under bye-law 61 for a reduction in the period of service under articles was acceded to.

Examination Fees
The following increased examination entrance fees will come into operation commencing with the November, 1958, examinations:

Institute Final examination ..	£7 7 0
Society Intermediate examination	£5 5 0

Fee for Exemption from Preliminary Examination
From July 1, 1958, the fee for exemption from the Preliminary examination under bye-law 78 will be increased to three guineas.

Clients' Moneys
In answer to questions which have been asked as to the procedure which should be followed by practising members of the Institute in dealing with moneys received or held by them on behalf of clients, the Council makes the following statement:

(*a*) A separate bank account or separate bank accounts should be kept for all clients' moneys and into it or them all moneys received (other than moneys which are immediately passed over to the client concerned or disposed of in accordance with his instructions) in connection with the member's practice but not belonging to him should be paid immediately after receipt.

(*b*) If the moneys received are trust moneys they should be paid into a separate bank account for the trust concerned except that where the size of a particular trust does not warrant the maintenance of a separate banking account, the moneys should be paid into one of the bank accounts kept for clients' moneys.

(*c*) An account maintained for clients' money or as a separate account for a trust should be so named or identified.

(*d*) Appropriate notice of the nature of the accounts should be given to the bank concerned. Legal advice has been received to the effect that if this is done no question of the bank's right of set off against the member's other accounts nor any question of sequestration by a trustee in bankruptcy would arise.

(*e*) Any payment to or for a client in excess of the balance, if any, at his credit in the clients' bank account should not be paid out of that account.

Annual Report and Accounts for 1957
The annual report of the Council and the accounts of the Institute for the year 1957 were approved for issue to members of the Institute.

Associates Commencing to Practise
The Council received notice that the following associates have commenced to practise:

BAKER, THOMAS ARTHUR; A.C.A., 1958; (S. 1952); (Williamson, Hampton & De La Wyche), 28 Kennedy Street, Manchester 2.

BRAMALL, BERTRAM; A.C.A., 1958; (S. 1927); (Davies & Crane), Hoghton Chambers, Hoghton Street, Southport

DENMAN, MICHAEL JAMES; A.C.A., 1955; (H. W. Denman & Co.), Castle Gate Chambers, Castle Gate, Nottingham.

HARRIS, MALCOLM WALTER; A.C.A., 1955; (D. A. Tomlinson & Co.), Silver Street, Dursley, Glos., and at Cheltenham.

HODGSON, PETER ROBINSON; A.C.A., 1952; 55 Ashbrook Road, Old Windsor, Berkshire.

HOLMAN, KEITH SQUIRE; A.C.A., 1955; (Holman, Pryke & Co.), 30 Finsbury Square, Moorgate, London, E.C.2.

HUDSON, ERIC; A.C.A., 1958; (S. 1949); (Eric Hudson & Co.), Norwich Union House, 17–19 Albert Road, Middlesbrough.

JURY, LAURENCE GUY; A.C.A., 1950; (Bourner, Bullock & Co.), 4 Tregarne Terrace, St. Austell, Cornwall.

KIRK, DONALD HENRY; A.C.A., 1958; (S. 1939); (Spain Brothers & Co.), 1 Old Burlington Street, London, W.1, and at Sutton.

LAWRENCE, PETER; A.C.A., 1956; (†Spain Brothers, McNab & Co.), 14 St. John's Road, Tunbridge Wells, and at Tonbridge.

LEMON, HARVEY; A.C.A., 1958; (S. 1956); (Harvey Lemon & Co.), 138 Finchley Lane, Hendon, London, N.W.4.

LIVESEY, ARTHUR; A.C.A., 1951; Journal Office Building, Winter Hey Lane, Horwich, Bolton.

MACDONALD, COLIN ALICK; A.C.A., 1957; (A. Macdonald & Co.), 21 Parliament Street, Hull.

MANKELOW, WILLIAM CHARLES; A.C.A., 1953; 13 Alexandra Road, Headington, Oxford.

O'SHEA, DENIS; A.C.A., 1958; (S. 1955); (Alfred S. John & Co.), 29 Gelliwastad Road, and Town Hall Chambers, Pontypridd.

PALMER, JOHN FREDERICK; A.C.A., 1958; (S. 1941); (B. de V. Hardcastle, Burton & Co.), Coventry House, South Place, London, E.C.2, and at Birchington.

RICKMAN, LEONARD; A.C.A., 1958; (L. Rickman & Co.), 85 Amhurst Park, Stamford Hill, London, N.16.

SCOTT, (Miss) BEATRICE LEWIS; A.C.A., 1947; 73 Home Park Road, London, S.W.19.

SHAW, PETER LATIMER; A.C.A.. 1948; (†Bishop, Fleming & Co.), 19 Southernhay East, Exeter, and at Dartmouth, Paignton and Torquay.

SHIACH, GORDON; A.C.A., 1958; (S. 1944); (Duthie & Son), 4 Victoria Place, Carlisle.

SMITH, JOHN ROBERTS; A.C.A., 1958; (S. 1936); (M. S. Bradford & Co.), Manfield House, 376–379 Strand, London, W.C.2.

SMITH, JOHN WALTON; A.C.A., 1958; (S. 1952); (Bowker, Stevens & Co.), 57A Greengate Street, Stafford.

UPSHAW, ERIC LEWIS; A.C.A., 1958; (S. 1953); (Culley & Co.), 5 Bank Plain, Norwich.

WITHEY, RAYMOND ALBERT; A.C.A., 1958; (S. 1957); (Lawrence, Gardner & Co.), 5 Unity Street, Bristol, 1.

ZEIDMAN, JOSEPH CHARLES; A.C.A., 1956; (*Bundy & Zeidman), Central Chambers, Caerphilly, Glam.

Election to Fellowship

(*a*) Twenty-eight applications from associates for election to fellowship under clause 6 of the supplemental charter (bye-law 31) were acceded to.

(*b*) One application from an associate for election to fellowship under clauses 6 and 31 of the supplemental charter (bye-law 31) was acceded to.

(*c*) Thirty-two applications from associates for election to fellowship under clause 3 (*b*) of the Scheme of Integration referred to in clause 34 of the supplemental charter were acceded to.

Admission as Associate

It was resolved:

(*a*) that seven applicants be admitted as associates under clause 5 of the supplemental charter (bye -law 31);

(*b*) that one applicant be admitted as an associate under clause 9 of the supplemental charter (bye-law 36).

Reduced Subscriptions: Byelaw 43

The Council decided that the following statement be published as part of the proceedings of the Council:

Bye-law 43 gives the Council discretionary power to reduce to one guinea the annual subscription of a member who is not less than sixty years of age, has been a member for not less than thirty years and has retired from practice and other business activities; and the bye-law gives the Council further discretionary power so to reduce the subscription notwithstanding that the member has not complied with these conditions. Under this bye-law it is the practice of the Council to reduce the subscription of any member who is a minister of religion or is training at a theological college. The Council has now decided that an application will normally be allowed for any woman member who is married and is not engaged in any business activities or employment. The Council will recognise a period of membership of the Society of Incorporated Accountants as membership of the Institute for the purpose of bye-law 43.

Registration of Articles

The Secretary reported the registration of articles of clerkship as follows:

	1958	1957
March	238	82
January to March ..	696	370

Changes of Name

The Secretary reported that the following changes of name had been made in the Institute's records:

Cohen, David, to Conway, David.

Jacobs, Leslie, to Palmes, Leslie Ashton.

Weeramanthri, Kingsley, to Weeramanthri, Michael Kingsley.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

ALLEN, JOHN HENRY, F.C.A., Abingdon.

BATES, DONALD HARRY, J.P., F.C.A., Hanley.

BURNLEY, WILLIAM EWART, B.A., A.C.A., Yeovil.

BUTTERFIELD, FREDERICK REDVERS, A.C.A., Halifax.

FERGUSON, CHARLES EDWARD HARRISON, C.M.G., M.C., F.S.A.A., Hobart, Tasmania.

HARVEY, GEORGE ERNEST, F.C.A., Birmingham.

HIGGISON, FRANCIS WALFORD, F.C.A., Burnham-on-Sea.

HUARD, CHARLES PHILIP, A.C.A., Bromley, Kent.

LOCKING, EDWARD KENNETH, F.C.A., Hull.

MCCONNELL, ALEXANDER, A.C.A., Tynemouth.

ROBINSON, WILLIAM SLEIGHTHOLM, F.C.A., Scarborough.

ROLT, GUY EVELYN, F.C.A., London.

SMITH, CECIL ERNEST BORLASE MACFARLANE, F.C.A., Plymouth.

TATE, ERNEST, A.C.A., Newcastle upon Tyne.

WHITE, Sir SYDNEY ARTHUR, K.C.V.O., A.C.A., London.

S. means year of admission to membership of the Society.
Firms not marked † or * are composed wholly of members of the Institute.
† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.
* Against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1958, at a hearing held on March 5, 1958, following adjournments on August 7, 1957, and January 8, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Sidney Alexander Kleinberg, A.C.A., was at the General Sessions held in the Old Bailey on March 12, 1957, convicted on indictment on charges that he conspired with other persons to cheat and defraud such persons as might lend moneys or give credit to one or other of certain individuals and companies and for that he aided and abetted a director of one such company with intent to induce persons to advance moneys to that company, to make a balance sheet of that company which such director knew to be false in certain material particulars; and for that he aided and abetted a director of another such company with intent to induce persons to advance moneys to that company, to make a balance sheet of that company which such director knew to be false in certain material particulars, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Sidney Alexander Kleinberg, A.C.A., had been proved and the Committee ordered that Sidney Alexander Kleinberg, A.C.A., of Princes Park Avenue, Golders Green, London, N.W.11, be excluded from membership of the Institute.

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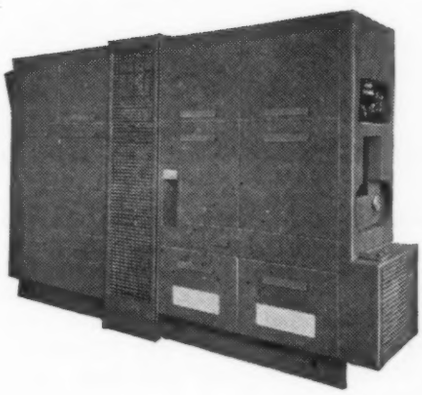

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Leadership

MR. G. B. ELPHICK, F.C.A., J.P., Chairman of the Chester and North Wales Branch of the Liverpool Society of Chartered Accountants, took the chair at a dinner given by the Branch at the Blossoms Hotel, Chester, on March 14. Those present included Mr. Leonard M. Harris, J.P. (chairman and managing director of Browns of Chester Ltd.); Mr. G. F. Saunders, F.C.A. (member of the Council of the Institute of Chartered Accountants in England and Wales); Mr. S. Pritchard (H.M. Inspector of Taxes); Mr. C. C. Taylor, F.C.A., J.P. (President of the Liverpool Society of Chartered Accountants); and other representatives of the Inland Revenue and the professions.

Mr. Leonard M. Harris, J.P., proposing the toast of the Institute of Chartered Accountants in England and Wales, said that much discussion about current affairs was the result not of constructive thought but of prejudice and quite often aimless grumbling. Lord Hailsham had recently said that politics seemed to have "gone sour" on the people of this country. Accountants must realise that that was true not only in the political sphere. Many businesses they went into were highly successful: progress was in the very atmosphere. In at least as many businesses there was an air of depression. What was the vital element that was lacking? He believed it could be put into one word: leadership. Over the years we had become far too afraid of leadership. Leadership of the right kind was badly wanted in every farm, every office, every factory and every shop. In his own business he made three principal attempts to give expression to his philosophy on leadership. He invited all the firm's buyers and heads of departments to attend the annual general meeting of the company; he sent a weekly "personal letter" to every member of the staff; he called together a budgetary committee of people in key positions, who were given all the facts about the business.

Mr. George Saunders, F.C.A. (member of the Council of the Institute of Chartered Accountants in England and Wales), responding, expressed regret at the absence through illness of Mr. A. S. H. Dicker, a former President of the Institute, who was to have responded. The Institute was now a body of 28,000 members. This collective strength was demonstrated in several ways: in the District Societies; in the Summer Course (this year it would be held at both Merton and Christ Church Colleges, Cambridge); and the management accounting courses which enabled accountants and leaders of industry to get together for their mutual advantage. This was an age of progress, and they must keep abreast of the many changes. The younger members would find a very different picture in thirty years' time. The old idea of the drudgery, the hard detailed work, would have virtually disappeared. Instead, skilled and highly qualified accountants would be called for to deal with the niceties resulting from automation.

One of the great events of the past year had been "integration." The bringing in of the Society of Incorporated Accountants had been a great step. They were delighted to have the members of the Society in their midst and he was sure they would do them all great credit. The combined strength would be of advantage to everyone.

Mr. Hugh Aldred, M.A., F.C.A. (Honorary Secretary of the Branch) proposed the toast of the guests and recalled that the Branch was ten years old. He spoke of the friendly relationships which existed in the area between accountants and the Inland Revenue. They had trust and confidence in each other.

Mr. S. Pritchard (H.M. Inspector of Taxes, Chester 1st District), responding, agreed that the relations between the Inland Revenue and accountants were excellent—healthy and often irreverent. (*Laughter.*)

Mr. C. C. Taylor, F.C.A., J.P. (President of the Liverpool Society), in proposing the toast of the Chester and North Wales Branch, said the function of the Branch was to provide leadership for all accountants in the area. There was no doubt that they could all gain a great deal from friendly contacts with other members of the profession.

Mr. G. B. Elphick, F.C.A., J.P. (Chairman of the Chester branch), responding, said that following integration thirty new members had been elected to the branch, bringing membership to 124.

Reading the Cohen Report

THE BIRMINGHAM AND District Society of Chartered Accountants held its annual dinner at the Grand Hotel, Birmingham, on March 13. Mr. Stanley Kitchen, F.C.A., President of the District Society, presided over a large company of members and guests, including the Deputy Mayor of Birmingham (Alderman E. W. Apps, J.P.); Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Sir Thomas Barlow, G.B.E. (Chairman of the District Bank Ltd.); Mr. E. Milner Holland, C.B.E., Q.C., B.C.L., M.A. (Chairman of the General Council of the Bar); Mr. D. H. Buchanan (Agent of the Bank of England); Mr. H. R. Rowbotham, M.B.E. (President of Wolverhampton Chamber of Commerce); Mr. W. L. Barrows, F.C.A., J.P. (Vice-President of the Institute of Chartered Accountants in England and Wales); Mr. Alan S. MacIver, M.C., B.A. (Secretary of the Institute); Mr. A. N. Halls, M.B.E. (Regional Controller of the Board of Trade); Professor Donald Cousins, B.COM., A.C.A. (Professor of Accounting in the University of Birmingham); and representatives of other professional bodies and the Inland Revenue.

Sir Thomas Barlow, G.B.E., Chairman of the District Bank Ltd., proposed the toast of the City of Birmingham. He expressed the view that it would be wrong to take too tragic a view of a possible recession in this country.

The only feature that alarmed him, from the point of view of an industrialist, was the cost of new machinery, especially considering the great pace of industrial development.

About half a century ago he went to Lancashire and became a member of a cotton firm founded by his grandfather. Free trade was then desirable, and advantageous to consumers. But times changed, and the enthusiasm for free trade had waned.

The Deputy Mayor of Birmingham (Alderman E. W. Apps) replied to the toast. He said he found comfort in Sir Thomas's remarks. It had often been said that what Lancashire said today England said tomorrow. Fifty years ago Birmingham was saying free trade was not quite the thing, and Lancashire was now expressing the sentiments Birmingham was expressing in those days.

Mr. H. R. Rowbotham, M.B.E. (President of the Wolverhampton Chamber of Commerce) proposed the toast of the Institute of Chartered Accountants in England and Wales. He observed that this was the first dinner since the integration with the Society of Incorporated Accountants.

He criticised the Cohen report on the ground that it could not be understood by ordinary people. Some way should have been found of presenting the report so that it was easy to read.

Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales) replying to the toast, said Mr. Rowbotham had said exactly the opposite to what he himself had been going to say about the report of the "three wise men." He was going to recommend them to read the report as a document on a complex subject which he found easy to read and in simple language. He was even tempted to say they might employ those three wise men to draft those annual nightmares, the Finance Bills.

He often wondered whether industrialists did all that they could to inform the public about the true nature of profits and the reasons why it was necessary to have a substantial profit margin.

Mr. Lawson spoke of the evidence given by the Council of the Institute to the recent Royal Commission on the subject of the profits tax. In view of all the advice that had been given to the Government, he hoped that some time in the not too distant future some Chancellor would have a look at the tax and put it high on the list for reform.

Mr. Stanley Kitchen, F.C.A. (President of of the Birmingham and District Society of Chartered Accountants) proposed the toast of the guests, to which Mr. E. Milner Holland, C.B.E., Q.C., B.C.L., M.A. (Chairman of the Bar Council) humorously responded.

Manchester Students' Seventy-fifth Anniversary

THE SEVENTY-FIFTH anniversary dinner of the Manchester Chartered Accountants' Students' Society was held at the Midland Hotel, Manchester, on March 6. Mr. H. B. Vanstone, F.C.A. (President of the Students' Society) presided over a company of more than 260 members and guests, including the Lord Mayor of Manchester (Alderman Leslie Lever, J.P., M.P., LL.B.); Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Mr. A. S. MacIver, M.C., B.A. (Secretary of the Institute); Mr. A. H. Goulty, M.A.; Rev. Eric Saxon, B.A., B.D. (Rural Dean); Mr. T. C. Davies (President, Manchester University Union); Mr. A. Eastham (Chairman, University Accountancy Society); Mr. A. H. Walton, F.C.A. (President, Manchester Society of Chartered Accountants); and representatives of other Students' Societies.

The Lord Mayor of Manchester (Alderman Leslie Lever, M.P., LL.B.) proposed the toast of the Institute of Chartered Accountants in England and Wales. He said that although accountants received collective recognition later than the Law Society, they had proved they were a veritable tower of strength. When students had satisfied the examiners, they could feel they were on the high road to success as professional gentlemen of a great Institute in the greatest country in the world.

Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants of England and Wales), responding to the toast, said he had been looking at some of the speeches made on the occasion of the formation of the Society in 1883. Mr. Adam Murray, their first President, had made complimentary remarks about the University and very derogatory remarks about the Lord Mayor of the time. He said the Mayor (as he was then) was quite unable to understand the accounts of the water department. Mr. Lawson thought every one now would have every confidence in the fact that the Lord Mayor was able to understand the accounts of the water department.

Advice given at the formation meeting was that students should cultivate good handwriting. There were still complaints by examiners regarding students' handwriting, but he took it that Manchester was an exception. Students were also expected to have knowledge of European languages, particularly French and German. That advice could not be better today, when a free trade area was in view.

Mr. A. H. Goulty, M.A., proposing the toast of the Manchester Chartered Accountants' Students' Society, said their profession was a very great one, which never stood higher than it did today. He was glad to think that the relationship between the legal profession and the Chartered Accountants was never more cordial. His advice to students was that if they had a chance of serving on a committee of a Students' Society or District Society they should do so. They should never compromise on a matter of principles. He wished them all a happy and successful career.

Mr. H. B. Vanstone, F.C.A. (President for the Students' Society) responded. He said that they were celebrating their seventy-fifth anniversary and also commemorating the union of Chartered and Incorporated Accountants. He was particularly pleased to see Mr. Yates Lloyd and others who had come to them from the Incorporated Society.

He was glad that people from other nations were coming here for guidance. He was particularly glad to see four West Africans among the students. Every effort should be made to help them to return to their country and become leaders in their profession.

They were grateful to Miss Isabel Ritchie and her staff for their work in preparing for the dinner and generally for members and students in the area.

Mr. R. H. Stewart, B.A., A.C.A., proposed the toast of the guests. He said they had with them Mr. J. A. Porter, an honorary life member of the Society, who joined in 1901 and had held office as secretary and as President.

It was an honour to have the President of the Institute there. He had helped through the integration scheme, and those in Manchester had come to accept and appreciate it and all the good it would bring.

Mr. T. C. Davies (President of Manchester University Union) responded.

The Need for Profits

THE ANNUAL DINNER of the East Anglian Society of Chartered Accountants was held at the Great White Horse Hotel, Ipswich, on March 21. The chair was occupied by Mr. A. E. Shaw, F.C.A., President of the District Society, and the guests included the Mayor of Ipswich (Councillor R. Ratcliffe, J.P.); Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Mr. T. M. Bland (President of the Institute of Bankers); Sir Clavering Fison; Sir Richard Yeabsley, C.B.E., F.C.A. (member of the Council of the Institute); His Honour Judge Southall; Lt.-Colonel G. B. Clifton Brown (Chairman of the Suffolk Branch, National Farmers' Union; Mr. A. S. MacIver, M.C., B.A. (Secretary of the Institute); Mr. F. R. D. Walter (Official Receiver in Bankruptcy); and representatives of professional bodies and the Inland Revenue.

Mr. T. M. Bland (President of the Institute of Bankers), proposing the toast of the England and Wales, said that all borrowers, and a good many others, would welcome the reduction in the Bank Rate. But he hoped that accountants, who more than anybody, perhaps, were in a position to influence the climate of opinion in these matters, would do what they could to counter any impression that cheaper money meant freer lending. We could not fight a recession abroad by inflation at home. Yet no banker would want it thought that bank lending was entirely a thing of the past. Indeed, it was the necessity to make money available on short term to those industries that were making a palpable contribution to the solution of our most urgent national problems that necessitated the pressure on others.

Mr. W. H. Lawson, C.B.E., F.C.A. (President of the Institute of Chartered Accountants in England and Wales) said he found particular pleasure in acknowledging the toast on the first occasion when former members of the Society of Incorporated Accountants were there in their own right as members of the Institute. It was always a pleasure to have one's health proposed by a banker, for they all owed a lot to their bankers! (*Laughter.*) The problem of finance was one of quite considerable concern to professional men today, and particularly to accountants.

Professional people had difficulty in providing capital for their business because the capital had to be provided out of net income after deducting income tax and surtax. He was standing between a banker on his left and an Official Receiver to his right, but fortunately the Official Receiver was a little farther away. (*Laughter.*) Perhaps industrialists had been a little slow in explaining to the public the need for fairly substantial profits, particularly in the case of new and expanding businesses.

Sir Richard Yeabsley, C.B.E., F.C.A., speaking as the last President of the Society of Incorporated Accountants, and proposing the toast of the trade and industry of East Anglia, welcomed his first opportunity of attending a function of that nature since integration had taken place. Trade and industry were of great importance to all of them, indeed essential and vital for their existence, and must be operated with efficiency in the sense of the proper use of what was available. Resources were limited and it was incumbent that they should use them to the maximum. It was a pleasure to be associated during the war with Sir Clavering Fison, and he was happy indeed to pay a tribute to the wonderful contribution that Sir Clavering and his company made during the war and subsequently.

Sir Clavering Fison, in response, said that the industry of East Anglia was fairly well balanced. It was solidly based on agriculture, a secure basis for our national life. There was an overwhelming case on social and economic grounds for State support for agriculture, and the price review was a fairly reasonable result. They had now a large number of young, prosperous industries, so that, altogether, in East Anglia industry and trade were employing more men than agriculture.

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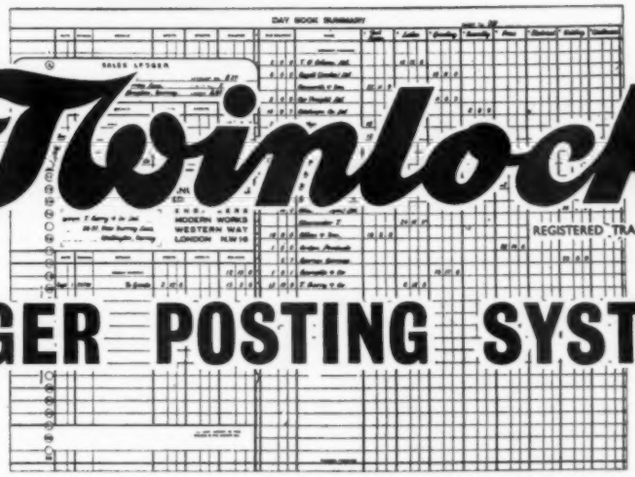

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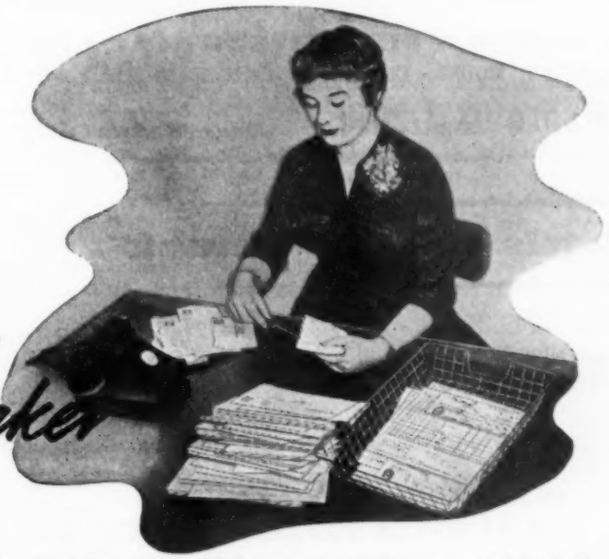

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Mr. D. H. Smith (Vice-President of the East Anglian Society of Chartered Accountants) welcomed the guests, and His Honour Judge T. Southall replied. Mr. A. E. Shaw (President of the District Society) replying to the toast of his health proposed by Mr. George Cooper, paid tribute to the organising work of Mr. Henry Robinson, the honorary secretary, and Mr. Garfield Goult, of Ipswich.

The True Picture of Profits

THE ANNUAL DINNER of the Sheffield and District Society of Chartered Accountants was held at the Grand Hotel, Sheffield, on March 7. Mr. Frank Downing, F.C.A., President of the District Society, was in the chair, and the company of about 300 included the Deputy Lord Mayor of Sheffield (Alderman Robert Neill); Sir Frederick Pickworth (Master Cutler); Mr. G. M. Flather, J.P.; Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); His Honour Judge E. Ould (Judge of Sheffield County Court); Sir Roland Jennings, M.P., F.C.A.; Mr. A. S. MacIver, M.C., B.A. (Secretary of the Institute); Professor A. R. Clapham, M.A., PH.D. (Pro-Vice-Chancellor of the University of Sheffield); and other representatives of the professions and the Inland Revenue.

Mr. G. M. Flather, J.P., proposed the toast of "The City and Trades of Sheffield," saying that Sheffield, with its local authority, its industries and its university, was a happy triumvirate.

The Deputy Lord Mayor of Sheffield (Alderman Robert Neill) responded. He apologised for the unavoidable absence of the Lord Mayor, Alderman Albert Ballard. Alderman Neill said that although he was not a native of the city, he thought Sheffield was the finest place in the country.

What induced young people to become accountants? Was it the love of figures, of having a scrap with the Inland Revenue, or was it with the idea of getting on to Boards of directors? They knew that businessmen must employ accountants because the Inland Revenue would not accept their word, but he thought the main object was to get on to Boards of directors. (*Laughter.*)

Sir Frederick Pickworth (Master Cutler) proposed the toast of the Institute of Chartered Accountants of England and Wales. He said that he had had long arguments with Chartered Accountants, but ultimately they ended amicably. The principles of integrity had stood them in good stead throughout the world, and many countries had followed the pattern of the Institute. He congratulated the Institute upon the fact that it really tackled things. The Companies Act of 1948 did something to make directors show what really was the business of the owners. He thought it would be a considerable help if they would put forward figures a little more understandable to the ordinary shareholders.

Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales) responded. He commended the Cohen report to every member. It was in clear and original style, and one chapter of particular interest was about annual reports and balance sheets. It commended the practice of some companies of showing the relationship of profit and dividends to taxation, wages and other costs, but went on to issue a word of warning that one must be careful that the true picture of profits was not distorted. The report recommended that companies should show the relationship of profits to sales and capital employed, and he agreed. They as a profession ought to be able to help their clients to arrive at the correct figures of capital employed, and in 1950 the Institute issued a pamphlet on the subject. Many people might think that 20 per cent. profit on capital was a rather high figure, but income tax and profits tax took a considerable proportion of it, and in the end out of a profit of 20 per cent. there was only 4 per cent. for the business. That was not by any means a large sum.

Mr. Frank Downing, F.C.A. (President of the District Society) proposed the toast of "Our Guests." He said they had always been on very friendly terms with the Incorporated Accountants, and in Sheffield the integration scheme was agreed to unanimously.

His Honour Judge E. Ould responded.

Chartered Accountants' Benevolent Association

AT A RECENT meeting of the Executive Committee Mr. W. S. Carrington, F.C.A., the President of the Association, and ten members were present.

The Committee accepted with great regret the resignation of Sir Russell Kettle, F.C.A., of his membership of the Executive Committee. The Committee recorded its appreciation of the services of Sir Russell Kettle on the Committee over a period of eleven years.

After dealing with the various matters of finance and administration the Committee considered four new applications for assistance. In one case a small cash grant was made and assistance given towards removal expenses; in two cases a grant was made for one year and in the fourth case it was decided not to give assistance.

Applications for further assistance.—Twenty-five applications for further assistance were considered. In eighteen cases the grant was renewed; in six cases the grant was increased; in one case the grant was reduced.

Special Fund.—One application for further assistance was considered and the grant was renewed.

W. B. Peat Memorial Scholarship Fund.—One application for further assistance was considered and the grant at the rate of £30 per annum was renewed.

Matters reported.—The Hon. Secretary reported changes in the circumstances of a number of beneficiaries during the last quarter and the action of the President in authorising certain payments.

The Hon. Secretary also reported the deaths of two beneficiaries.

Christmas food parcels and clothing gifts.—It was reported that Christmas food parcels were sent to beneficiaries at a total cost of £331 and that clothing gifts had been given to certain beneficiaries at a total cost of £438.

Autumn Meeting of the Institute

London—October 2, 3 and 4, 1958

THE COUNCIL OF the Institute has accepted the invitation of the London and District Society of Chartered Accountants to hold an Autumn Meeting in London on October 2, 3 and 4, 1958.

The proceedings will include two business sessions, at which important professional topics will be considered, and social functions for members and their ladies as outlined in the programme below.

Any member of the Institute may submit an application and the Council hopes that a widely representative attendance will contribute to the success of the meeting. As the number of members and their ladies who can be accommodated is restricted to 1,650, it will be necessary, if applications exceed that number, to hold a ballot.

The fee, which covers all the items on the programme, including meals where specified, will be £10 10s. 0d. for a member or £19 19s. 0d. for a member accompanied by a lady.

No hotel accommodation will be arranged by the London and District Society Committee for members attending the Autumn Meeting. Members are expected to make their own arrangements and, if they require hotel accommodation, they are advised to make their reservations early.

All members of the Institute have been notified of the Meeting and have been sent a form of notice of intention to be present; those members wishing to attend are requested to complete the form and to send it as early as possible, but not later than April 30 (May 31 for members overseas), to the Honorary Secretary, C. J. M. Bennett, Esq., B.A., F.C.A., Alderman's House, Bishopsgate, London, E.C.2.

OUTLINE OF THE PROGRAMME

Thursday, October 2, 1958

Morning

SERVICE at St. Paul's Cathedral.

WELCOME by the Rt. Hon. the Lord

Mayor of London and ADDRESS by President of the Institute at Royal Festival Hall.

BUFFET LUNCH at Royal Festival Hall.

Afternoon

For Members

BUSINESS SESSION for members at Royal Festival Hall. Papers *The Future Role of the Accountant in Practice*, by H. A. BENSON, C.B.E., F.C.A., and *The Future Role of the Accountant in Industry*, by W. W. FEA, B.A., A.C.A.

For Ladies

ENTERTAINMENTS. Choice of matinée, dress show, talks or tours.

Evening

For Members and Ladies

RECEPTION at Royal Festival Hall. DANCING until 1.30 a.m.

Friday, October 3, 1958

Morning and Afternoon

either

EXCURSIONS BY MOTOR COACH for members and ladies with choice of whole-day or half-day visits to places of scenic, historic or industrial interest with lunch and/or tea as appropriate. It is hoped that arrangements can be made for a RIVER TRIP.

or

GOLF COMPETITION for members with a separate competition for ladies—including lunch and tea.

Evening

BANQUET OF THEATRE.

Saturday, October 4, 1958

Morning

For Members

BUSINESS SESSION at Royal Festival Hall. A paper *The Progress of Tax Reform*, by W. S. CARRINGTON, F.C.A.

For Ladies

EXCURSIONS IN LONDON.

London District Society

Proposed Group in Beds, Bucks and Herts

A LUNCHEON IS being held at the George Hotel, Luton, on Tuesday, April 22, 1958, at 12.30 p.m. for 1.0 p.m., to discuss a proposal to create in the Bedfordshire, Buckinghamshire and Hertfordshire area a new group of the London and District Society of Chartered Accountants. The chair will be taken by Mr. E. F. G. Whinney, M.A., F.C.A., a member of the Council of the Institute.

The committee of the London and District Society explains that when integration is complete there will be nearly 10,000 members of the Institute in the area covered by the District Society. There must be some decentralisation. Some day, dependent upon the emergence of strong local leaders, a new district may be hived off—for example, a home counties district. But for the present decentralisation must proceed by way of further local groups or branches, such as the local groups at Reading and Southend. Following integration there are about 700 members of the Institute in Bedfordshire, Buckinghamshire and Hertfordshire, enough to create an active group.

Members in the area who cannot attend the luncheon but who are in sympathy with the proposal to form the group are asked to inform Mr. T. R. Keens, F.C.A., 11 George Street West, Luton, Beds.

Forthcoming Events

Belfast

May 2–3.—Pre-Examination Course conducted by Mr. V. S. Hockley, B.COM., C.A. The Library, at 7 p.m.*

Birmingham

Final students' lectures are given at the Chartered Auctioneers' and Estate Agents' Sale Room, St. Philip Place.

Intermediate students' lectures are given at the University, Edmund Street.

April 19.—Football Match *v.* Britannic (away).*

April 19.—"Auditing: Divisible Profits and Dividends," by Mr. A. S. Maddison. "Bankruptcy and Liquidations: Analogous Procedure," by Mr. R. B. Howard. Final students' lectures, at 9.30 and 10.30 a.m.

April 19.—"Accounts: Insurance Claims, Investments," by Mr. A. V. Sharman. "Income Tax," by Mr. S. C. Quint. Intermediate students' lectures, at 9.30 and 10.30 a.m.

April 26. — "Auditing: Liability of Auditors," by Mr A. S. Maddison. "Accounts: Bankruptcy, Liquidation and Receivership Accounts," by Mr. J. N. McKenzie. Final students' lectures, at 9.30 and 10.30 a.m.

April 26.—"Liability of Auditors," by Mr. E. T. Worsley, and "Income Tax," by Mr. S. C. Quint. Intermediate students' lectures, at 9.30 and 10.30 a.m.

May 3.—"Taxation," by Mr. W. H. A. Sutton. Final students' lectures, at 9.30 and 10.30 a.m.

May 3.—"Auditing. Special Points on Different Types of Audits," by Mr. E. T. Worsley. "Income Tax," by Mr. S. C. Quint. Intermediate students' lectures, at 9.30 and 10.30 a.m.

May 10.—"Taxation," by Mr. W. H. A. Sutton. Final students' lectures at 9.30 and 10.30 a.m.

May 10.—"Law: Statute Law, Common Law and Equity," by Mr. J. P. G. Lawrence. "Income Tax," by Mr. S. C. Quint. Intermediate students' lectures, at 9.30 and 10.30 a.m.

May 17.—"Taxation," by Mr. W. H. A. Sutton. Final students' lectures, at 9.30 and 10.30 a.m.

Blackpool

April 22.—Students' football match against the Law Society.

Bradford

May 8.—Students' works visit to Yorkshire Copperworks Ltd., Leeds, at 2.30 p.m.

Brighton

April 24.—Annual general meeting of the South-Eastern Society. Hotel Metropole.

Bristol

All meetings unless otherwise stated take place at Room 28, Bristol University.

April 18.—"Punched Card Accounting (also introducing electronic equipment)," by the British Tabulating Machine Co. Ltd. (Hollerith Accounting Machines). A film with introductory talk and discussion. Students' meeting, at 2.30 p.m.

April 25.—"Hire Purchase Finance," by Mr. V. A. Errington. Students' meeting, at 2.30 p.m.

April 25.—"Taxation Questions in the Examination," by Mr. H. P. Lawrence, F.C.A. Intermediate students' meeting, at 3.30 p.m.

April 25.—Cocktail party for members and their ladies. Grand Spa Hotel.

May 2.—"Law of Contract," by Mr. Lewis Smart, M.A., LL.B. "Group Accounts," by Mr. J. M. Higgison, A.C.A. Final students' meetings, at 2.30 and 3.30 p.m.

May 9.—"Problems on Distribution," by Mr. A. C. C. Oddie, F.C.A. "Audit Procedures for Verification of Assets and Liabilities," by Mr. D. Botterill, A.C.A. Intermediate students' meetings, at 2.30 and 3.30 p.m.

May 16.—"Taxation Questions in the Examination," by Mr. H. P. Lawrence, F.C.A. "Company Accounts Questions in the Examination," by Mr. S. V. P. Cornwell, M.C., M.A., F.C.A. Final students' meetings, at 2.30 and 3.30 p.m.

Cardiff

All meetings take place at the South Wales Institute of Engineers, Park Place.

April 18.—"Machine Accounting." Film and lecture, by "Hollerith." Students' meeting, at 2 p.m.

April 19.—"Personal Computation and Surtax," by Mr. M. Phillips. Students' meeting, at 9.30 a.m.

April 25.—"Profits Tax," by Mr. P. Spurway. Students' meeting, at 2 p.m.

April 26.—"Partnership Law," by Mr. D. Walters. Students' meeting, at 9.30 a.m.

May 2.—"Partnership Accounts," by Mr. M. Phillips. Students' meeting, at 2 p.m.

May 3.—"Income Tax—Partnership Assessments," by Mr. M. Phillips. Students' meeting, at 9.30 a.m.

May 9.—Mock company meeting. Chairman: Mr. B. Brown. Students' meeting, at 2 p.m.

May 10.—"Income Tax—Losses," by Mr. M. Phillips. Students' meeting, at 9.30 a.m.

May 16.—"Executorship,.' by Mr. V. S. Hockley, C.A. Students' meeting, at 2 p.m.

May 17.—"Executorship," by Mr. V. S. Hockley, C.A. Students' meeting, at 9.30 a.m.

Coventry

May 5.—"Common Law," by Mr. G. W. Moore, LL.B. Chace Hotel, London Road, at 12.45 p.m.

Exeter

May 1.—Annual general meeting of the Exeter and District Society. Imperial Hotel, at 12.45 p.m.

* Under the auspices of an Incorporated Accountants' District or Students' Society.

Grimsby

April 21.—Lunch, followed by a general discussion on the Budget led by Mr. L. S. Brightson, A.C.A. Royal Hotel.

Hastings

April 19.—"The Audit of a Limited Company," by Mr. R. S. Waldron, F.C.A. Students' meeting. Chatsworth Hotel, Carlisle Parade, at 10.45 a.m.

Hull

April 24.—"Executorship Law" and "The Principles of Profits Tax," by Mr. K. S. Carmichael, A.C.A. Students' meetings. Room D, Imperial Hotel, Paragon Street, at 4 p.m. and 6.15 p.m.

Leeds

April 25.—Lunchtime meeting. Great Northern Hotel, at 1 p.m.

April 25. — "Internal Check and the Auditor," and "Miscellaneous Accounts, including Hire Purchase, Royalties and Containers Accounts," by Mr. K. S. Carmichael, A.C.A. Students' meetings. Hotel Metropole, at 4.15 and 6 p.m.

May 7.—"Some Aspects of Stock Valuation," by Mr. P. M. Sheard, B.A., A.C.A. Students' meeting. Hotel Metropole, at 6 p.m.

Leicester

Unless otherwise stated meetings take place at Leicester College of Art and Technology, Main Building, The Newarke.

April 19. — "Relationship between the Banker and the Accountant," by Mr. B. G. Millward. Students' meeting, at 10 a.m.

April 26.—"Charges on the Assets of a Company," by Mr. H. N. T. Staunton. Final students' meeting, at 10 a.m.

May 3.—"Simple Management Control Techniques," by Mr. H. Kenewell, F.C.A., and Mr. A. Kershaw, F.C.W.A. Students' meeting, at 10 a.m.

May 10.—"The Chartered Accountant in Industry," by Mr. W. W. Noakes, A.C.A. Students' meeting, at 10 a.m.

May 17.—"Creditors: Secured, Unsecured and Preferential," by Mr. R. A. Haigh, F.C.A. Final students' meeting, at 10 a.m.

London

April 21.—Students' visit to Ford's Motor works.

April 21–24.—"The Practical Aspect." Special lectures for Examination Candidates. Incorporated Accountants' Hall, W.C.2.

April 25.—Students' whole-day course and annual general meeting of the Students' Society. Hall of the Chartered Insurance Institute, E.C.2, at 5.30 p.m.

May 7.—Annual meeting of the Institute of Chartered Accountants in England and Wales. Hall of the Chartered Insurance Institute, 20 Aldermanbury, E.C.2, at 2 p.m.

May 7.—Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

May 22.—Annual general meeting of the London and District Society. Hall of the Chartered Insurance Institute, 20 Aldermanbury, E.C.2, at 6 p.m.

Luton

April 22.—Luncheon and discussion on proposal to form a Group of the London and District Society for Bedfordshire, Buckinghamshire and Hertfordshire. George Hotel, at 12.30 p.m. for 1 p.m.

Manchester

April 23.—Students' annual general meeting, followed by students' lecture "The C.P.A.," by Mr. S. J. I. Battersby. Chartered Accountants' Hall, 46 Fountain Street, at 5.45 p.m.

April 25.—Special general meeting of the Manchester Society, followed by annual general meeting. Chartered Accountants' Hall, 46 Fountain Street, at 5.45 p.m.

Newcastle upon Tyne

May 12.—Northern Society golf match against the Inland Revenue Golfing Society. Brancepath Castle Golf Club, at 10 a.m.

Norwich

April 24.—Annual general meeting of the East Anglian Students' Association. Assembly House, Theatre Street, at 9.35 a.m.

April 24.—Annual meeting of the East Anglian Society. Assembly House, Theatre Street, at 4.30 p.m.

Oxford

April 18.—Students' pre-examination lectures, by Mr. V. S. Hockley, C.A., B.COM. Royal Oxford Hotel, Park End Street, from 11.15 a.m. to 6.30 p.m.

April 19.—Students' pre-examination lectures. Royal Oxford Hotel, Park End Street, from 9.30 a.m. to 11 a.m.

April 30.—"Insolvency Practice," by Mr. O. Griffiths, M.A., LL.B. Students' lecture. Kemp Restaurant, Broad Street.

Preston

April 26.—Annual general meeting of the Preston and District Students' Society. Reform Club.

Salisbury

April 24.—"Group Accounts," by Mr. P. E. Harris, A.C.A. Students' meeting. Windover House, St. Ann Street, at 7 p.m.

Sheffield

April 25.—Students' joint supper dance. Rising Sun Hotel, Bamford.

May 19.—Annual general meeting of the District Society. Law Society's Hall, Campo Lane, at 2.15 p.m.

Southampton

May 16.—Annual general meeting of the Southampton and District Students' Society, followed by a talk on "Public Speaking," by Mr. A. C. Hazel. Polygon Hotel, at 6.30 p.m.

Truro

April 24.—Luncheon, followed by annual general meeting of the Cornwall and Plymouth Branch. Red Lion Hotel, at 1 p.m.

May 15.—Discussion meeting. The Magistrates' Room, Town Hall, at 7 p.m.

Waterford

April 17.—"European Free Trade and the Common Market," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM. Students' meeting. Municipal Library, at 8 p.m.*

Westcliff-on-Sea

May 22.—"Consolidated Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. The Queens Hotel, Hamlet Court Road, at 7.30 p.m.

Wolverhampton

April 28.—"The Law at Work." by Mr. G. G. Baker, Recorder of Wolverhampton. Victoria Hotel, at 6 p.m. Friends may be invited.

May 2.—Outing to see *Twelfth Night* at Stratford Memorial Theatre.

May 12.—Annual general meeting of the Wolverhampton Branch. Victoria Hotel, at 6 p.m.

District Societies

London Students' Society

MR. B. M. O'REGAN has been elected chairman and Mr. M. W. Russell vice-chairman. The committee passed a special vote of thanks to the retiring chairman, Mr. L. C. McCracken.

The Incorporated Accountants' Students' Society was officially wound up on March 13, and the transfer of its functions has been completed.

Attendances at debates have shown a dramatic increase, from an average of 20 or 25 to 90 at the first meeting of the spring session.

In sports, the previous successful trend has been reversed: matches have been lost recently in soccer, squash and badminton—but two badminton matches were won. A new feature was a Rugby football match with a team of Irish articled clerks: Ireland was victorious.

Blackpool and Fylde Students' Society

MR. D. W. KNOWLES, c/o 14 Edward Street, Blackpool, has been appointed honorary secretary.

Report

On December 31 there were fifty members.

Students have derived great benefit from the lectures at Preston organised by the Manchester Joint Tuition Committee, and from the short residential course at Burton Manor. There has been a demonstration of Hollerith mechanised accounting and two visits to factories. Thanks are due to the companies concerned.

Monthly luncheons have continued. Other activities have been a tennis tournament, two football matches and a dinner and dance.

The committee congratulates five members on their success in the Final and seven in the Intermediate examination.

As a result of the scheme of integration a number of Incorporated students are being invited to become members.

Chester and North Wales Branch

THE ANNUAL GENERAL meeting of the Chester and North Wales Branch of the Liverpool Society was held on March 14. The following officers were elected: Chairman, Mr. G. B. Elphick, F.C.A., J.P.; Vice-Chairman and Honorary Secretary, Mr. Hugh Aldred, M.A., F.C.A.; Hon. Treasurer, Mr.

G. R. Hargreaves, F.C.A.; Hon. Auditor, Mr. J. W. Aldred, M.C., F.C.A.

Mr. P. G. Lanes, A.C.A., was elected to the Committee and Mr. G. B. Elphick, F.C.A., J.P., and Mr. P. G. Gedd, F.C.A., J.P., were re-elected.

The rules were amended to make minor adjustments to the geographical boundaries and to increase from nine to eleven the number of committee members. The two vacancies thus created were filled by the election of Mr. H. Parsonage and Mr. C. W. Robinson, who were nominated by the President of the Incorporated Accountants' District Society of Liverpool.

Exeter Students' Society

MR. G. A. COOMBS, A.C.A., has been elected President, Mr. O. J. W. Adcock, Chairman, and Mr. R. Joslin, Honorary Treasurer. Mr. W. P. Nichols was re-elected Honorary Secretary.

Grimsby and North Lincolnshire Branch

THE GRIMSBY AND North Lincolnshire Branch of the Hull, East Yorkshire and Lincolnshire Society held its annual meeting on March 17. The following officers and committee were elected: President, Mr. A. A. Beardsall, F.C.A.; Chairman, Mr. M. G. Bain, F.C.A.; Vice-Chairman, Mr. L. S. Wrighton, A.C.A.; Hon. Treasurer, Mr. A. Buckton, F.C.A.; Hon. Secretary, Mr. W. S. Warrs, A.C.A.; Hon. Librarian, Mr. R. H. R. Marshall, F.C.A.; Deputy Chairman, Mr. J. M. Smith, A.C.A.; Committee, Mr. K. B. Collinson, A.C.A., Mr. B. H. Edwards, A.C.A., Mr. G. D. Falconer, A.C.A., Mr. J. Fitton, A.C.A., Mr. W. McWilliam, A.C.A., Mr. G. R. Watson, A.C.A., Mr. W. B. Wroot, F.C.A.; with Mr. C. M. Strachan, O.B.E., F.C.A., Mr. F. S. Mowforth, F.C.A., and Mr. N. Townend, F.C.A., as *ex officio* members.

Liverpool Students

THE SEVENTY-FIFTH annual general meeting of the Liverpool Chartered Accountant Students' Association was held on March 27. The following officers were elected: President, Mr. C. O. Reay, F.C.A.; Vice-Presidents, Mr. J. S. Ellison, M.A., A.C.A., Mr. J. A. Colvin, A.C.A., and Mr. A. Green, A.C.A.; Hon. Treasurer, Mr. J. D. Saunders, B.A.; Hon. Secretary, Mr. R. V. Potter, B.COM.; Hon. Auditors, Mr. N. G. Willis, F.C.A., and Mr. F. D. M. Lowry, A.C.A.

Examination Fees

AS NOTED IN the report of the recent meeting of the Council (page 207 above), with effect from the examinations held in November, 1958, the fee for the Institute Final examination will be increased from £6 6s. to £7 7s. and that for the Society Intermediate examination from £4 4s. to £5 5s.

For exemption from the Preliminary examination of the Institute, from July 1, 1958, the fee is to be increased from £2 2s. to £3 3s.

Personal Notes

Mr. J. B. Garside, Chartered Accountant, Douglas, Isle of Man, announces that he has taken into partnership Mr. Joseph John Garside, A.C.A. The practice is being continued under the firm name of J. B. Garside & Son.

Messrs. Bowker, Stevens & Co., Chartered Accountants, have taken into partnership Mr. John W. Smith, A.C.A., as resident partner at their Stafford office. Mr. Smith has been for some years a senior member of their staff.

Messrs. Phillips & Halliday, Northampton, Towcester and Wellingborough, announce that Mr. Michael J. Hay, B.SC., A.C.A., Mr. Gordon Swannell, A.C.A., and Mr. Leslie R. Harris, F.A.C.C.A., have been admitted into partnership, and that Mr. Frederick Nash, F.C.A., has retired. The style of the firm is unchanged.

Messrs. Turquand, Youngs & Co. announce that Mr. W. W. Ward, F.C.A., and Mr. L. Odgen, A.C.A., have been admitted to the partnership in London. Mr. Ward has been partner in charge of the Bristol firm since 1951, and will continue to act in that capacity. Mr. Ogden has been with the firm in London for many years.

Messrs. B. de V. Hardcastle, Burton & Co., Chartered Accountants, London, E.C.2, announce that Mr. F. W. Burton, F.C.A., has retired from the firm and Mr. John F. Palmer, A.C.A, has been admitted into partnership. The firm name remains unchanged.

Mr. Wilfrid Bailey, F.S.A.A., F.I.M.T.A., Chief Accountant of the Gas Council, has been appointed Secretary with effect from October 1, 1958.

Messrs. Moller, Morton & Co., Chartered Accountants, London, E.C.2, regret to announce that owing to illness Mr. K. L. Morton, F.C.A., has resigned his partnership in the firm.

Mr. L. Knox, Chartered Accountant, has taken over the practice of P. Baker & Co., 27 Frederick Street, Sunderland, and at Cullercoats. He is continuing it under the same firm name.

Messrs. Reynolds, Adams & Lake, Chartered Accountants, announce that they have removed their offices to Warwick House, Warwick Court, Grays Inn, London, W.C.2, where their practice will be worked in association with Messrs. Whitehill, March, Jackson & Co., Chartered Accountants. One of the partners in the latter firm, Mr. R. C. G. Tibbles, D.F.C., B.COM., F.C.A., has become a partner in Reynolds, Adams & Lake.

Mr. B. J. Woodward, A.C.A., has been appointed chief accountant to Omo Sawmills of Nigeria Ltd., Ijebu-Ode, Western Nigeria.

Messrs. Deloitte, Plender, Griffiths & Co. announce that they have admitted into their London partnership Mr. E. C. Meade, A.C.A., who has been a senior member of their staff for some years.

Removals

Messrs. D. J. Napley & Co., Chartered Accountants, have removed to 42 High Street, Croydon, Surrey.

Messrs. Walker, Sclanders & Co., Chartered Accountants, announce that their London offices are now at 6 Union Street, Borough High Street, London, S.E.1.

Obituary

Francis Walford Higgison

WE LEARN WITH regret that Mr. F. W. Higgison, F.C.A., died on March 20, at the age of eighty. He was for fifty-five years a member of both the Institute and the Society, having taken honours in both Final examinations: he was the recipient of the first Gold Medal awarded by the Society, that for the year 1902.

Mr. Higgison became a partner in 1903 in the Walsall firm in which he had served his articles. Three years later he joined Messrs. Deloitte, Plender, Griffiths & Co., in London. He was for some years a personal assistant to the late Lord Plender. In 1912 Mr. Higgison opened as resident partner the Cardiff office of the firm. From 1920 till his retirement in 1929 he was chief accountant of the Powell Duffryn Steam Coal Co. Ltd.

During his years in retirement Mr. Higgison undertook many honorary professional duties, retaining a keen interest and progressive outlook and a readiness to encourage students. He was actively associated with the Church Missionary Society and the National Savings movement, and was a life governor of the Royal Masonic Institution for Boys, where he was educated.

One of his sons is a Chartered Accountant in practice in Bristol, where he is President of the Students' Society and a member of the committee of the District Society.

Thomas Rimington

WE REGRET TO record that Mr. Thomas Rimington, F.S.A.A., died recently, at the age of eighty-five. He was a former Vice-President of the Incorporated Accountants' District Society of Leicestershire and Northamptonshire.

Mr. Rimington became an Associate of the Society of Incorporated Accountants in 1900, after qualifying service with Messrs. R. R. Preston & Co., Chartered Accountants, Leicester, and set up in practice on his own account in the following year. In 1952 he joined the firm of Baker & Co., and when he retired in 1954 he was the oldest practising accountant in Leicester.

He was formerly a director of a number of companies, and took an active part in Freemasonry. In his earlier years he was a golfing enthusiast, and until his death he was a member of the Leicestershire County Cricket Club.

One of his two sons, Mr. T. G. Rimington, F.C.A., is a partner in Messrs. Baker & Co.

Classified Advertisements

Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, *23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

OFFICIAL NOTICES

UNIVERSITY OF LONDON

Applications are invited from experienced accountants for the P. D. Leake Research Fellowship. The emolument will be £2,000, tenable for one academic year. The successful candidate will be expected to carry out research in subjects with which the accountancy profession is directly concerned. Only members of the United Kingdom accountancy bodies, recognised for the purpose of United Kingdom law, are eligible.

Applications should be received not later than 30th April, 1958, by the Director, THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE, Houghton Street, London, W.C.2., from whom further particulars may be obtained.

APPOINTMENTS VACANT

ACCOUNTANCY Staff from Articled to top salaried ACCOUNTING & TAXATION APPTS. NO FEES TO STAFF. CONDUIT ST. BUREAU (GRO: 7080) 4 Conduit St., Oxford Circus, W.1. Open daily 8.30 to 7.30: Sats. 9-1.

ACCOUNTANTS—NIGERIA

Chartered Accountants, with not less than two years' qualified experience, required by professional firm. The appointments offer excellent prospects for young men willing to make a career in a developing country. Tours of approximately eighteen months with generous leave on full salary. Initial salary rate £1,500 per annum with annual bonus of not less than £250. Free furnished quarters. Provident Fund. Initial kit allowance £60. Very low income tax. Full particulars to Box No. 906, DORLAND ADVERTISING LTD., 18-20 Regent Street, S.W.1.

APPLICANTS with the necessary experience requiring BETTER positions as Senior, Semi-senior and Junior AUDIT CLERKS should contact us. We have a good selection. Other Professional and Commercial posts available. HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

AUSTRALIA: Cooper Brothers & Co., 15 George Street, Mansion House, London, E.C.4, have vacancies for qualified seniors experienced in audit and investigation work for New South Wales. Applicants intending to settle in Australia preferred.

CHIEF ACCOUNTANT

Old-established and expanding Group of Companies of international repute, with wide manufacturing and distributive interests, wholesale and retail at home and overseas, invites applications from Chartered Accountants for the important appointment of Chief Accountant. Location, Central London. Candidates should have had several years' experience in commerce and/or industry after qualifying. First-class knowledge of company and group financial accounting, including mechanisation and systems, essential; good taxation experience an additional asset. Preferred age range 32/38 years. Applications, with full curriculum vitae, including salaries earned, may be made in strictest confidence to Box No. 120, c/o ACCOUNTANCY.

CHARTERED Accountants have vacancy in their Bristol office for Senior Audit Clerk, not necessarily but preferably qualified. Contributory Pension Scheme. Salary according to experience. Reply to Box No. 113, c/o ACCOUNTANCY.

DEPUTY CHIEF ACCOUNTANT
required by
NIGERIAN PORTS AUTHORITY
for service in Lagos, Nigeria

Applicants, age 35-45, should possess a recognised qualification, executive ability and initiative. A knowledge of punched card accounting would be an advantage. Salary £2,550 per annum, consolidated, with liberal gratuity or pension; accommodation provided at nominal rent with furnishings to a reasonable standard; car purchase facilities and running allowance; low income tax; cost of living on basic necessities compares favourably with U.K.; free passages for officer, wife and family; initial kit allowance; tour of 15 months with seven days' leave for each month of service plus travelling time.

Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3B/44545/AD.

ROLLS-ROYCE LIMITED invite applications from Accountants not exceeding 28 years of age with a recognised qualification and a period of professional experience since qualifying, for posts as JUNIOR ACCOUNTANTS in the company's factories at Derby, Crewe and Glasgow. Salary will be commensurate with age and experience. Applications should be addressed to the FINANCIAL ACCOUNTANT, Rolls-Royce Limited, Derby.

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LECTURER required as soon as possible in the COMMERCE DEPARTMENT. Candidates should be qualified to teach Accountancy and Management Subjects to Final Professional standard.

Salary: £1,200 × £30 to £1,350.

Details and forms (stamped addressed foolscap envelope) from the Clerk to the Governors, DIVISIONAL EDUCATION OFFICE, Park Road, Colchester.

PERSONNEL ADMINISTRATION LIMITED
APPOINTMENTS DIVISION
has been asked to advise on an appointment as
A QUALIFIED ACCOUNTANT

A vacancy occurs in a British company in the U.K. for a qualified accountant in the late twenties or early thirties for whom there will be a special opportunity to achieve at an unusually early age wide responsibilities in overall industrial management and an appropriate eventual salary of between £4,000 and £5,000 per annum. Starting salary is for discussion but a figure up to £1,800 is contemplated. Approximately five years of financial work will precede the eventual broadening of responsibilities.

The main requirements are an interest in the wider field of industry, a thorough knowledge of modern accounting methods including costing and works accounting, and an experience which so far has included both the profession and industry.

Please send details of age, education and experience, in brief tabulated form and in confidence to:

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